

METINER G. KIMEL – WSBA 21280  
KIMEL LAW OFFICES  
1115 West Lincoln Ave., Suite 105  
Yakima, WA 98902  
Telephone: (509) 452-1115  
Facsimile: (509) 452-1116

Counsel for the Debtor and Debtor in Possession

**UNITED STATES BANKRUPTCY COURT**  
**EASTERN DISTRICT OF WASHINGTON**

In re

River Bluff Enterprises, Inc.

Debtor and  
Debtor-in-Possession.

Case No. 14-00843

**DEBTOR'S SECOND AMENDED  
DISCLOSURE STATEMENT TO  
ACCOMPANY CHAPTER 11 PLAN OF  
REORGANIZATION**

DATE:  
TIME:  
PLACE:

**I.**

**INTRODUCTION**

Contemporaneously with the filing of this Disclosure Statement, River Bluff Enterprises, Inc., the debtor and debtor in possession in the case of In re River Bluff Enterprises, Inc., Case No. 14-00483 (referred to hereafter as the “Debtor”) has filed with the United States Bankruptcy Court for the Eastern District of Washington, a Plan of Reorganization in the above-captioned Chapter 11 case (“the Plan”). *Your rights may be affected. You should read this Disclosure Statement and the Plan provisions herein carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.*

1 The Debtor provides this Disclosure Statement to creditors, equity security holders and  
2 other parties in interest pursuant to 11 U.S.C. § 1125. The purpose of this Disclosure Statement is  
3 to provide creditors, equity security holders, and other parties in interest who are entitled to vote  
4 with information that will enable a reasonable investor typical of holders of Claims against and  
5 Equity Interests in the Debtor to make an informed decision as to whether they will vote to accept  
6 or reject the Plan.

7 To the extent that any statement made in this Disclosure Statement is inconsistent with any  
8 provision in the Plan, the provisions of the Plan shall control. To the extent that any statement  
9 made in this Disclosure Statement is inconsistent with any provision of the Bankruptcy Code, the  
10 Bankruptcy Code shall control.

11 Interested parties are referred to 11 U.S.C. § 1125, which provides, in part:

12 "(b) An acceptance or rejection of a plan may not be solicited after  
13 the commencement of the case under this title from a holder of a claim  
14 or interest with respect to such claim or interest unless, at the time of  
15 or before such solicitation, there is transmitted to such holder the plan  
16 or a summary of the plan, and a written disclosure statement approved,  
after notice and a hearing, by the court as containing adequate  
information. The court may approve a disclosure statement without  
valuation of the debtor or an appraisal of the debtor's assets.

17 \* \* \*

18 (e) A person that solicits acceptance or rejection of a plan in good  
19 faith and in compliance with the applicable provisions of this title, in  
the offer, issuance, sale or purchase of a security, offered or sold under  
the plan of the debtor, or an affiliate participating in a joint plan with  
the debtor, or of a newly organized successor to the debtor under the  
plan, is not liable, on account of such solicitation of participation, for  
violation of any applicable law, rule, or regulation governing  
solicitation of acceptance or rejection of a plan or the offer, issuance,  
22 sale or purchase of securities.

23 The Debtor has prepared this Disclosure Statement to disclose that information which, in its  
24 opinion, is material, important and necessary to an evaluation of the Plan. The material herein  
25 contained is intended solely for that purpose and solely for the use of known creditors and interest  
26 holders of the Debtor. Accordingly, the material may not be relied upon for any purpose other than  
27 a determination of how to vote on the Plan.

1 Materials contained in this Disclosure Statement are not necessarily sufficient for the  
2 formation of a judgment by any creditor concerning the preference of any alternative to the Plan.  
3 Materials referring to alternatives to the Plan are limited by both practical considerations of space  
4 and the opinions of the Debtor regarding same. In addition, applicable law does not require  
5 inclusion in a disclosure statement of information regarding alternative plans.

6 **II.**

7 **DISCLAIMER**

8 APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT  
9 SHALL MEAN ONLY THAT THE BANKRUPTCY COURT HAS DETERMINED THAT THIS  
10 DISCLOSURE STATEMENT, AS APPROVED, CONTAINS ADEQUATE INFORMATION,  
11 MEANING INFORMATION OF A KIND, AND IN SUFFICIENT DETAIL, AS FAR AS IS  
12 REASONABLY PRACTICABLE IN LIGHT OF THE NATURE AND HISTORY OF THE  
13 DEBTOR AND THE CONDITION OF THE DEBTOR'S BOOKS AND RECORDS, THAT  
14 WOULD ENABLE A HYPOTHETICAL REASONABLE INVESTOR TYPICAL OF HOLDERS  
15 OF CLAIMS OR EQUITY INTERESTS OF THE RELEVANT CLASS TO MAKE AN  
16 INFORMED DECISION ABOUT THE PLAN. THE BANKRUPTCY COURT ORDER  
17 APPROVING THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE A FACTUAL  
18 DETERMINATION AS TO THE ACCURACY OF ANY REPRESENTATIONS OR  
19 STATEMENTS OF FACT MADE HEREIN, NOR SHALL THE BANKRUPTCY COURT'S  
20 APPROVAL OF THIS DISCLOSURE STATEMENT BE DEEMED AN ENDORSEMENT OF  
21 THE PLAN.

22 NO REPRESENTATIONS, INCLUDING REPRESENTATIONS REGARDING THE  
23 VALUE OF DEBTOR'S PROPERTY, DEBTOR'S BUSINESS, OR THE AMOUNT AND  
24 CLASSIFICATION OF ASSETS AND LIABILITIES AGAINST DEBTOR'S BANKRUPTCY  
25 ESTATE, ARE AUTHORIZED BY THE DEBTOR FOR THE PURPOSE OF SOLICITING  
26 VOTES FROM IMPAIRED CREDITORS OR EQUITY SECURITY HOLDERS OTHER THAN  
27 AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR  
28

1 INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN  
2 WHICH IS OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD  
3 NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION. ALL OF THE  
4 FINANCIAL INFORMATION AND ASSUMPTIONS CONTAINED HEREIN AND ALL OF  
5 THE ASSUMPTIONS WITH RESPECT TO THE VALUE OF ASSETS AND THE AMOUNT  
6 OF CLAIMS REPRESENT DEBTOR'S BEST ESTIMATE. IF YOU DESIRE TO MAKE YOUR  
7 OWN INVESTIGATION AS TO THE VALUE OF ASSETS OR AMOUNT OF CLAIMS, IT IS  
8 YOUR RESPONSIBILITY TO DO SO.

9 THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO AUDIT  
10 BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT. DEBTOR DOES NOT  
11 WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS  
12 WITHOUT ANY INACCURACY, ALTHOUGH THE INFORMATION IS ACCURATE TO  
13 THE BEST OF DEBTOR'S KNOWLEDGE, INFORMATION AND BELIEF. DEBTOR HAS,  
14 IN THE PREPARATION OF THIS DISCLOSURE STATEMENT, MADE ITS BEST EFFORT  
15 TO BE AS ACCURATE AS IS REASONABLY PRACTICABLE GIVEN THE NATURE OF  
16 DEBTOR'S BUSINESS AND IN LIGHT OF THE NATURE AND HISTORY OF THE DEBTOR  
17 AND THE CONDITION OF THE DEBTOR'S BOOKS AND RECORDS.

18 CERTAIN MATERIALS CONTAINED IN THIS DISCLOSURE STATEMENT HAVE  
19 BEEN ADOPTED DIRECTLY FROM OTHER READILY ACCESSIBLE DOCUMENTS,  
20 INCLUDING FILINGS IN DEBTOR'S BANKRUPTCY CASE, AND OTHER INSTRUMENTS.  
21 DEBTOR HAS MADE EVERY REASONABLE EFFORT TO RETAIN THE MEANING OF  
22 SUCH DOCUMENTS AND INSTRUMENTS. HOWEVER, YOU ARE URGED TO RELY  
23 UPON THE CONTENTS OF SUCH DOCUMENTS AND INSTRUMENTS ONLY UPON A  
24 THOROUGH REVIEW OF THE DOCUMENTS AND INSTRUMENTS THEMSELVES.

25 THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT, IN ANY  
26 WAY, BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. EACH CREDITOR,  
27 EQUITY SECURITY HOLDER AND OTHER PARTY IN INTEREST SHOULD CONSULT  
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1 HIS OWN ATTORNEY, BUSINESS ADVISOR, INVESTMENT ADVISOR AND TAX  
2 ADVISOR CONCERNING THE LEGAL, BUSINESS, TAX AND RELATED ASPECTS OF  
3 THE PLAN.

4  
5 **III.**

6 **DEFINITIONS, INTERPRETATION AND RULES OF CONSTRUCTION**

7 **A. DEFINITIONS**

8 The following terms shall have the meanings stated for purposes of the Plan. Terms not  
9 defined in this Article or elsewhere in the Plan shall have the meanings defined in the Bankruptcy  
10 Code, or, for any term not defined in the Bankruptcy Code, the meaning attributed to such term  
11 through custom or usage. Certain terms are, for convenience and ease of reference only,  
12 capitalized throughout the Plan. The capitalization of or failure to capitalize any term, however,  
13 shall not, unless the context otherwise requires, be of any significance to a determination of the  
14 meaning of any term. Whenever the context requires, the singular shall include the plural and  
15 masculine shall include the feminine.

16 **1. “142 N. 9<sup>th</sup> Street”** means that certain commercial real property, including the  
17 high school located thereon, at 142 N. 9<sup>th</sup> Street, Modesto, California as further described in the  
18 Key Bank Deed of Trust, defined *infra*.

19 **2. “Administrative Claim”** means a Claim for costs and expenses of  
20 administration allowed under Section 503(b) of the Bankruptcy Code and referred to in  
21 Section 507(a)(1) of the Bankruptcy Code, including, without limitation: (a) the actual and  
22 necessary costs and expenses incurred after the Petition Date of preserving the Estate and operating  
23 the business of the Debtor (such as wages, salaries or commissions for services); (b) compensation  
24 for legal, financial advisory, accounting and other services and reimbursement of expenses  
25 awarded or allowed under Sections 330(a) or 331 of the Bankruptcy Code; and (c) all fees and  
26 charges assessed against the Estate under 28 U.S.C. § 1930.

1           **3. “Allowed Amount”** means the amount of any Claim against the Debtor  
2 determined in accordance with Sections 502 and 506(a) of the Bankruptcy Code and any other  
3 applicable section of the Bankruptcy Code, and recognized by the Debtor as valid, allowed by this  
4 Plan, or allowed by Final Order of the Court.

5           **4. “Allowed Claim”** means a Claim against the Debtor to the extent that -  
6           a) a Proof of Claim was timely filed; or is deemed filed under applicable law or  
7 by reason of an order of the Bankruptcy Court; and  
8           b) the Debtor or Reorganized Debtor does not file an objection within a time  
9 fixed by the Bankruptcy Court and the Claim is not otherwise a Disputed Claim (but only to  
10 the extent that such Claim is not a Disputed Claim); (2) the Claim is allowed (and only to  
11 the extent allowed) by a Final Order; or (3) the Claim is allowed under this Plan.

12           **5. “Allowed Class \_\_ Claim”** means an Allowed Claim in the particular Class  
13 described.

14           **6. “Allowed Priority Claim”** means an Allowed Claim entitled to priority  
15 pursuant to Sections 507(a)(3), (4) or (6) of the Bankruptcy Code.

16           **7. “Allowed Secured Claim”** means an Allowed Claim secured by a lien, security  
17 interest or other charge against property in which the estate has an interest, or which is subject to  
18 set-off under Section 553 of the Bankruptcy Code, (a) to the extent of the value, determined in  
19 accordance with Section 506(a) of the Bankruptcy Code, of the interest of the holder of such  
20 Secured Claim in the estate's interest in such property, or to the extent of the amount subject to any  
21 set-off, as the case may be, or (b) where the holder of the Claim has made an election under  
22 Section 1111(b) of the Bankruptcy Code, to the extent of the amount of the Claim.

23           **8. “Alpine”** means Alpine Townhouse Apartments, LLC, a California limited  
24 liability company owned by Byron Haney and Rose Haney, Roger Haney and Marleta Haney,  
25 Marcus Haney and Jeanette Haney, and Eric and Sue Layman, which is the holder claim in the  
26 Scheduled amount of \$2,303,637.00 secured by a junior lien recorded with the Stanislaus County  
27  
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Recorder as Doc – 2013-0041669-00 on May 14 2013, which encumbers substantially all of the Debtor’s California real property.

**9. “Approval Date”** means the date on which an order approving the Debtor's Disclosure Statement, or an amended version thereof, is entered by the clerk on the Court's docket.

**10. “Assets”** The term Assets includes and means any property of the Estate and expressly includes all rights, titles and interests vested in the Debtor on the Petition Date, excluding property excluded by Bankruptcy Code § 541 from the Estate.

**11. Available Cash”** means all Cash of the Estate, at any given time, available to be distributed to the holders of Allowed Claims less (a) the amount of cash to be reserved in accordance with the Budgets attached hereto currently estimated to be necessary to fund continued operations of the Debtor and to adequately fund the administration of this Plan and the Chapter 11 Case on and after the Effective Date and (b) the amount of Cash deposited into the Disputed Claims Reserve; provided, however, that Available Cash shall not include collateral security or any proceeds of collateral securing any Allowed Secured Claims.

**12. “Bankruptcy Code” or “Code”** means Title 11 of the United States Code, as now in effect or hereafter amended. All citations in this Plan to section numbers are to the Code unless otherwise expressly indicated.

**13. “Bankruptcy Court” or “Court”** means the United States Bankruptcy Court for the Eastern District of Washington or, if such court ceases to exercise jurisdiction over the Reorganization Case, such court or adjunct thereof that exercises jurisdiction over the Reorganization Case in lieu of the United States Bankruptcy Court for the Eastern District of Washington.

**14. “Ballot”** The term Ballot shall mean the form distributed to holders of Claims and Interests impaired under the Plan as defined in section 1124 of the Code for purposes of the holders of such Claims and Interests indicating their respective acceptance or rejection of the Plan along with the amount and class of their respective Claims or Interests.

1           **15.       “Bankruptcy Rules” or “Rules”** means, collectively (a) the Federal Rules of  
2 Bankruptcy Procedure and (b) the Local Bankruptcy Rules for the United States Bankruptcy Court  
3 for the Eastern District of Washington, as now in effect or hereafter amended.

4           **16.       “Bar Date”** means the last date for filing Claims, which was 60 days after  
5 service of the notice thereof on creditors.

6           **17.       “Business Day”** means any day, other than a Saturday, Sunday or "legal  
7 holiday" (as defined in Bankruptcy Rule 9006(a)).

8           **18.       “Case”** means the within Chapter 11 case, known as In re River-Bluff  
9 Enterprises, Inc., Case No. 14-00483-FLK11, pending before the United States Bankruptcy Court,  
10 Eastern District of Washington.

11          **19.       “Cash”** means cash and cash equivalents.

12          **20.       “Causes Of Action”** means all claims, demands, and causes of action owned  
13 by the Debtor as of the Petition Date or acquired post-petition by the Debtor, including, without  
14 limitation, all claims and actions under Chapter 5 of the Bankruptcy Code, for the avoidance and  
15 recovery of preferential or fraudulent transfers or post-petition transfers not approved by the  
16 Bankruptcy Court.

17          **21.       “Chase”** means JP Morgan Chase Bank, N.A., the holder of two separate  
18 Secured Claims secured by the Plaza Apartments for one claim and by Sierra Manor for the other  
19 claim.

20          **22.       “Chase Plaza Apartments Secured Claim”** means the secured claim of JP  
21 Morgan Chase Bank, N.A. in the Scheduled amount of \$1,209,240.00.

22          **23.       “Chase Plaza Apartments Loan”** means that certain loan which is the basis for  
23 the Chase Plaza Apartments Secured Claim.

24          **24.       “Chase Plaza Apartments Security Documents”** means those loan documents  
25 which evidence Chase’s security interest in the Plaza Apartments and related collateral.

26          **25.       “Chase Sierra Manor Secured Claim”** means the secured claim of JP Morgan  
27 Chase Bank, N.A. in the Scheduled amount of \$1,382,281.00.



1           **26.       “Chase Sierra Manor Loan”** means that certain loan which is the basis for the  
2 Chase Sierra Manor Secured Claim.

3           **27.       “Chase Sierra Manor Security Documents”** means those loan documents  
4 which evidence Chase’s security interest in Sierra Manor and related collateral.

5           **28.       “Claim”** means any right to payment, whether or not such right is reduced to  
6 judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, legal,  
7 equitable, secured or unsecured; or, a right to an equitable remedy for breach of performance if  
8 such breach gives rise to a right to payment, whether or not such right is an equitable remedy or is  
9 reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed,  
10 undisputed, secured or unsecured.

11           **29.       “Claimants” or “Creditors”** means persons or entities holding Allowed  
12 Claims.

13           **30.       “Class”** means any grouping into which Allowed Claims and Interests are  
14 classified pursuant to Article III of the Plan.

15           **31.       “Code”** means and refers to title 11, United States Code, 11 U.S.C. § 101, et  
16 seq.

17           **32.       “Confirmation”** means the entry by the Bankruptcy Court of the Confirmation  
18 Order.

19           **33.       “Confirmation Date”** means the date on which the Bankruptcy Court enters the  
20 Confirmation Order on the Court’s docket.

21           **34.       “Confirmation Order”** means the order of the Bankruptcy Court confirming  
22 the Plan under Section 1129 of the Bankruptcy Code.

23           **35.       “Contested”** means a Claim against the Debtor (a) that is listed in the Debtor’s  
24 schedules of liabilities as disputed, contingent, or unliquidated, (b) that is listed in the Debtor’s  
25 schedules of liabilities as undisputed, liquidated, and not contingent and as to which a proof of  
26 claim has been filed with the Bankruptcy Court, to the extent the proof of claim exceeds the  
27 scheduled amount, (c) that is not listed in the Debtor’s Schedules of liabilities but as to which a  
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1 proof of claim has been filed with the Bankruptcy Court, or (d) as to which an objection to claim,  
2 adversary proceeding or other lawsuit has been filed against any Creditor by the Estate on or before  
3 the Objection Deadline set by the Bankruptcy Court.

4 **36. "Creditor"** means any person or entity holding an Allowed Claim or Claims  
5 against the Debtor.

6 **37. "Debtor"** means River-Bluff Enterprises, Inc., a California corporation.

7 **38. "Debtor in Possession"** means the Debtor, when acting in the capacity of the  
8 representative of the Estate in the Case.

9 **39. "Disallowed Claim"** means any Claim (or any portion thereof) against the  
10 Debtor which has been disallowed pursuant to the provisions of the Code, including, without  
11 limitation, any Claim disallowed pursuant to § 502(e) of the Code.

12 **40. "Disclosure Statement"** means the Disclosure Statement to Accompany  
13 Debtor's Chapter 11 Plan prepared by the Debtor as required by Section 1125 of the Bankruptcy  
14 Code and approved by an Order of the Bankruptcy Court.

15 **41. "Disbursing Agent"** means the Debtor, or the Reorganized Debtor acting as  
16 agent on behalf of the Debtor.

17 **42. "Disputed Claim"** means a Claim as to which a proof of claim has been Filed  
18 or deemed Filed under applicable law, as to which an objection has been or may be timely Filed by  
19 the Debtor or Reorganized Debtor and which objection, if timely Filed, has not been withdrawn on  
20 or before any date fixed for Filing such objections by the Plan or Order of the Bankruptcy Court  
21 and has not been overruled or denied by a Final Order. Prior to the time that an objection has been  
22 or may be timely Filed, for the purposes of this Plan a Claim shall be considered a Disputed Claim  
23 in its entirety if: (i) the amount of the Claim specified in the proof of claim exceeds the amount of  
24 any corresponding Claim scheduled by the Debtor in its Schedules of Assets and Liabilities;  
25 (ii) any corresponding Claim scheduled by the Debtor in its Schedules of Assets and Liabilities has  
26 been scheduled as disputed, contingent, or unliquidated, irrespective of the amount scheduled; or  
27 (iii) no corresponding Claim has been scheduled by the Debtor in its Schedules of Assets and  
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1 Liabilities. Notwithstanding the foregoing, a Claim is not a Disputed Claim if it is an Allowed  
2 Claim in this Plan.

3 **43. “Distribution”** means the consideration paid or transferred to the holder of a  
4 Claim or Interest in satisfaction of such Claim or Interest in accordance with the Plan.

5 **44. “Effective Date”** means a Business Day, selected by the Debtor that is no later  
6 than sixty (60) days after the Confirmation Date.

7 **45. “Equity Security” or “Interest”** means the shares of stock evidencing an  
8 ownership interest in the Debtor.

9 **46. “Equity Security Holder”** means a holder of an Equity Security or Equity  
10 Interest in the Debtor.

11 **47. “Estate”** means the estate created pursuant to section 541 of the Bankruptcy  
12 Code upon the commencement of in the Chapter 11 case for the Debtor under Section 541 of the  
13 Bankruptcy Code.

14 **48. “Estimated Amount”** means the maximum amount at which the Bankruptcy  
15 Court or, where required by applicable law, the District Court, estimates any Claim (or Class of  
16 Claims), against the Debtor which is contingent, unliquidated or disputed, for the purpose of: (a)  
17 allowance under § 502(c) of the Bankruptcy Code; (b) assisting the Bankruptcy Court in making  
18 the findings required for Confirmation of this Plan pursuant to §§ 1129(a)(7)(A)(ii) and (a)(11)  
19 and, if necessary, §§ 1129(b)(1) and (2) of the Code; or (c) temporarily allowing a Contested Claim  
20 or Contested Interest solely for the purpose of accepting or rejecting the Plan pursuant to  
21 Bankruptcy Rule 3018(a).

22 **49. “File” or “Filed”** means filed with the Bankruptcy Court in the Case.

23 **50. “Final Order”** means an order or judgment of the Bankruptcy Court, or other  
24 court of competent jurisdiction, as entered on the docket in the Case, which has not been reversed,  
25 stayed, modified or amended, and as to which (i) the time to appeal or seek certiorari has expired  
26 and no appeal or petition for certiorari has been timely filed, or (ii) any appeal that has been or may  
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1 be taken or any petition for certiorari that has been or may be filed has been resolved by the highest  
2 court to which the order or judgment was appealed or from which certiorari was sought.

3 **51. “Guarantors”** means collectively Byron and Rose Haney, Eric and Sue  
4 Layman, Marcus and Jeanette Haney, and Roger and Marleta Haney, each who signed personal  
5 guarantees on certain secured debts.

6 **52. “Insider”** means a Person having a relationship with the Debtor within the  
7 meaning of Code § 101(31).

8 **53. “Key Bank”** means US Bank National Association, as Trustee for the  
9 Registered Holders of WAMU Commercial Mortgage Securities Trust 2007-SLW, Commercial  
10 Mortgage Pass-Through Certificates, Series 2007-3, its successors and assigns, with Key Bank,  
11 National Association as its Special and Master Servicer and Berkadia Commercial Mortgage, LLC  
12 as primary servicer, the holder of an Allowed Secured Claim secured by the Key Bank Security  
13 Documents and holder of the Key Bank Loan Documents.

14 **54. “Key Bank Loan”** means Loan No. 625955681, under which there is an  
15 outstanding balance as of December 29, 2014 of \$1,335,898.50.

16 **55. “Key Bank Loan Documents”** means all existing and future loan agreements,  
17 promissory notes, guaranty agreements, pledges, security agreements, assignment of leases and  
18 rents, mortgages, deeds of trust, forbearance agreements, and all other existing or future documents  
19 evidencing, securing or executed in connection with the Key Bank Loan relating to Debtor or its  
20 affiliates with Washington Mutual Bank, Key Bank or any of their affiliates or their assigns, which  
21 are now held, serviced, or administered by Key Bank, together with all other existing and future  
22 documents that modify, amend, extend, replace, or otherwise affect any of the foregoing  
23 documents, and includes without limitation the Key Bank Note, Key Bank Deed of Trust and Key  
24 Bank Security Documents.

25 **56. “Key Bank Note”** means that certain promissory note executed in connection  
26 with the Key Bank Loan between the Debtor as maker and Washington Mutual dated December  
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13, 2006 in principal amount of \$1,750,000 together with all its modifications, amendments, extensions, replacements, allonges, or assignments thereto.

57. **“Key Bank Secured Claim”** means the secured claim of Key Bank in the fully allowed amount of \$1,335,898.50 as of December 29, 2014, which is fully Allowed Secured Claim under the terms of the Plan and not subject to any claim, defense, offset, setoff or recoupment of the Debtor or Reorganized Debtor under this Plan and shall not be subject to reconsideration under 11 U.S.C. 502(j).

58. **“Key Bank Security Documents”** means those loan documents which evidence Key Bank’s security interest in 142 N. 9<sup>th</sup> Street and related collateral described in the loan documents securing the Key Bank Loan, including but not limited to that certain Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated December 13, 2006 signed by Debtor in favor of Washington Mutual Bank and recorded December 22, 2006 in the Stanislaus County, California Records Office (the **“Key Bank Deed of Trust”**)

59. **“Lien”** means, with respect to any Asset or property of the Debtor, any mortgage, lien, pledge, charge, security interest, encumbrance, or other security device of any kind affecting such Asset or property to the extent enforceable under law.

60. **“Order”** means an order or judgment of the Bankruptcy Court as entered on the docket.

61. **“Management”** means Roger Haney, Byron Haney, and Eric Layman in their capacity as officers, directors, and shareholders of the Debtor.

62. **“Medical Building”** means that certain real property, which includes Lots 1, 2, 3, 4, 5, and 6, portions of Lot 8, and Lots 9 and 10, all in Block 55 of the Murray Addition to the City of Ellensburg, County of Kittitas, State of Washington, as per plat thereof recorded in Book 1 of Plats, page 15, on which a three-story, 34541 square foot office building and improvements are located. The street addresses for the property are 100 E. Jackson St., and 705 and 707 S. Pine Street,, Ellensburg, WA 98926.

1           **63.       “Parking Lot”** means that certain real property, which includes Lots 11 and 12  
2 in Block 55 of the Murray Addition to the City of Ellensburg, County of Kittitas, State of  
3 Washington, as per plat thereof recorded in Book 1 of Plats, page 15, which is located adjacent to  
4 the Medical Building.

5           **64.       “Person”** means any individual, corporation, general partnership, limited  
6 partnership, association, joint stock company, joint venture, estate, trust, government or any  
7 political subdivision, governmental unit (as defined in the Bankruptcy Code) or official committee  
8 appointed by the United States Trustee.

9           **65.       “Petition”** means the voluntary petition filed by the Debtor to initiate the Case.

10          **66.       “Petition Date”** means March 11, 2014, the date that the Petition was filed.

11          **67.       “Plan”** means the Debtor’s Chapter 11 Plan of Reorganization in this Case and  
12 all exhibits and schedules annexed thereto or referred to therein, as the same may be amended,  
13 modified, or supplemented from time to time, and any amendment or modification thereof.

14          **68.       “Plaza Apartments”** means that certain real property improved with a 30 unit  
15 apartment complex located at 1317 Colorado Ave., Turlock, California.

16          **69.       “Pro Rata”** means the proportional amount of any one Claim or Equity Interest  
17 in a Class or a group of claims to the aggregate amount of all Claims or Equity Interests in the  
18 same Class or group, including Disputed Claims until disallowed.

19          **70.       “Proof of Claim”** means a statement under oath filed in the Case by a creditor  
20 in which the creditor sets forth the amount owed to the creditor and presents sufficient detail to  
21 identify the basis of the Claim in accordance with Rule 3001.

22          **71.       “Priority Claim”** means an Unsecured Claim given priority under  
23 Section 507(a) of the Bankruptcy Code.

24          **72.       “Priority Tax Claim”** means an Allowed Claim for an amount entitled to  
25 priority under Section 507(a)(8) of the Bankruptcy Code.

26          **73.       “Proponent”** means the Debtor.

1           **74. “Reorganized Debtor”** means the Debtor, on and after the Confirmation Date,  
2 at which time it shall assume all of the rights and obligations of the Debtor together with title to  
3 and control of the Debtor’s assets and liabilities upon Confirmation of the Plan, as such rights,  
4 obligations, assets and liabilities are modified in this Plan.

5           **75. “Scheduled”** means as set forth on the Schedules of Asset and Liabilities on file  
6 with the Bankruptcy Court.

7           **76. “Schedules of Assets and Liabilities”** means the Schedules of Assets and  
8 Liabilities filed by the Debtor with the Bankruptcy Court, as the same have been or may be  
9 amended from time to time prior to the Effective Date.

10           **77. “Secured Claim”** means any Claim secured by a lien, security interest or other  
11 charge against property in which the estate has an interest, or which is subject to set-off under  
12 Section 553 of the Bankruptcy Code, (a) to the extent of the value, determined in accordance with  
13 Section 506(a) of the Bankruptcy Code, of the interest of the holder of such Secured Claim in the  
14 estate's interest in such property, or to the extent of the amount subject to any set-off, as the case  
15 may be, or (b) where the holder of the Claim has made an election under Section 1111(b) of the  
16 Bankruptcy Code, to the extent of the amount of the Claim.

17           **78. “Secured Creditor”** shall mean the holder of an Allowed Secured Claim.

18           **79. “Sierra Manor”** means that certain real property improved by a 37 unit  
19 apartment complex and coin operated laundry located at 6500 Jackson Avenue, Riverbank,  
20 California.

21           **80. “Taxes”** means all taxes lawfully levied or assessed by any taxing authority  
22 which are lawfully owed by Debtor or the Estate which are (i) specified in Code section 507(a)(7),  
23 (ii) unsecured Claims of the Estate for taxes, or (iii) taxes incurred post-petition by the Debtor prior  
24 to the date of the Confirmation Order.

25           **81. “Unclassified Claims”** means the Allowed Amount of: (i) all administrative  
26 expenses of the Debtor's Chapter 11 Case, allowed pursuant to Section 503(b) of the Bankruptcy  
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1 Code, and (ii) all allowed, unsecured Claims entitled to priority pursuant to Section 507(a)(1), (2),  
2 and (8) of the Bankruptcy Code.

3 **82. “Unsecured Claims”** means the Allowed Amounts of those Claims against the  
4 Debtor for which there are no assets of the Debtor serving as security, but not including any  
5 Priority Claims.

6 **83. “Unsecured Creditors”** means Creditors holding allowed, unsecured Claims  
7 against the Debtor for which there are no assets of the Debtor serving as a security, but not  
8 including priority Claims.

9 **84. “U.S. Bank”** means U.S. Bank National Association, the holder of an Allowed  
10 Secured Claim secured by Medical Building and guaranteed by the Guarantors.

11 **85. “U.S. Bank Loan”** means the loan evidenced by that certain Construction Loan  
12 Agreement between U.S. Bank and the Debtor dated October 30, 2007, as subsequently modified  
13 by the U.S. Bank and the Debtor prior to the filing of the Petition, with an original loan  
14 commitment amount of \$5,225,000.00, as evidenced by the U.S. Bank Note.

15 **86. “U.S. Bank Note”** means that certain Installment or Single Payment Note with  
16 an original stated principal balance of \$5,225,000 dated October 30, 2007, and originally due and  
17 payable on April 1, 2009, as subsequently modified by the U.S. Bank and the Debtor prior to the  
18 filing of the Petition.

19 **87. “U.S. Bank Secured Claim”** means the secured claim of U.S. Bank in the  
20 claimed amount of \$5,439,995.55 as of the Petition Date, which amount has increased postpetition.

21 **88. “U.S. Bank Security Documents”** means those loan documents which  
22 evidence U.S. Bank’s security interest in the Medical Building Street and related collateral,  
23 including that certain Washington Deed of Trust, Security Agreement and Assignment of Rents  
24 and Leases recorded with the Kittitas County Auditor as document 200711210006 on  
25 November 21, 2007, and that UCC Financing Statement number 12-7311752241 filed with the  
26 California Secretary of State on May 2, 2012.



1 Any term used in this Document that is not defined in either in Article III, or elsewhere, but  
2 that is used in the Bankruptcy Code or the Bankruptcy Rules has the meaning assigned to that term  
3 in the Bankruptcy Code or the Bankruptcy Rules.

4 **IV.**

5 **CONFIRMATION AND VOTING**

6 A creditor or interest holder may vote to accept or reject the Plan by filling out and mailing  
7 to the Debtor's counsel the form of ballot which has been provided herewith.

8 The Court has fixed the date set forth in the attached notice as the last date by which ballots  
9 must be received by the Debtor. In the discretion of the Debtor and subject to review and  
10 determination by the Court, votes received by the Debtor after that date may not be counted.  
11 Whether a creditor or interest holder votes on the Plan or not, it will be bound by the terms and  
12 treatment set forth in the Plan if the Plan is accepted by the required majorities of classes of  
13 creditors and interest holders and/or is confirmed by the Court. Absent some affirmative act  
14 constituting a vote, such creditor or interest holder will not be included in the tally. Allowance of a  
15 claim or interest for voting purposes, and disallowance of any claim or interest for voting purposes  
16 does not necessarily mean that all or a portion of the claim or interest will be allowed or disallowed  
17 for distribution purposes.

18 The Bankruptcy Court will confirm the Plan if the requirements of 11 U.S.C. § 1129(a) are  
19 satisfied. That provision requires, *inter alia*, that: (a) With respect to each class of claims or  
20 interest, each holder of a claim or interest in that class has accepted the plan or will receive or  
21 retain under the plan on account of such claim or interest, property of a value that is not less than  
22 the amount such holder would receive if the Debtor was to liquidate under Chapter 7; (b)  
23 Confirmation of the plan is not likely to be followed by a liquidation or the need for further  
24 reorganization; and (c) The plan be accepted by each class of claims or interests that is impaired by  
25 the plan, and/or the plan does not discriminate unfairly and is fair and equitable to impaired classes  
26 that have not accepted the plan.

1 To confirm the Plan, the Bankruptcy Court must determine whether the Plan has been  
2 accepted by each impaired class entitled to vote on the Plan. Impaired classes entitled to vote on  
3 the Plan are those classes of claims whose legal, equitable or contractual rights are altered, as  
4 defined under 11 U.S.C. §1124. If a class of claims or interests are not impaired under a plan, then  
5 each holder of a claim or interest of such class are conclusively presumed to have accepted the  
6 plan, and solicitation of acceptances with respect to such class from the holders of claims or  
7 interest of such class is not required. 11 U.S.C. § 1126(f).

8 Under 11 U.S.C. § 1126(c), an impaired class of claims is deemed to have accepted the Plan  
9 if at least two-thirds in amount of those claims who vote and more than one-half in number of those  
10 claims who vote have accepted the Plan. An impaired class of equity interests is deemed to have  
11 accepted the Plan if the Plan has been accepted by at least two-thirds in amount of the allowed  
12 equity interests who vote on the Plan. Only the votes of those creditors or interested parties whose  
13 ballots are timely received may be counted in determining whether a class has accepted the Plan.

14 You are, therefore, urged to fill in, date, sign and promptly mail the enclosed ballot which  
15 was furnished to you. Please be sure to properly complete the form and legibly identify the name  
16 of the claimant or interest holder.

17 In the event that one or more impaired classes does not accept the Plan, the Debtor intends  
18 to request that the Court confirm the Plan pursuant to 11 U.S.C. § 1129(b). A plan may be  
19 confirmed despite the failure of a class of claims or interests to accept the plan upon request of the  
20 proponent of the plan if the Court determines that the plan does not discriminate unfairly and is fair  
21 and equitable with respect to each class of claims or interests that is impaired under, and has not  
22 accepted the plan. The condition that a plan be fair and equitable with respect to such  
23 nonaccepting classes includes certain requirements set forth in 11 U.S.C. § 1129(b) (2).

## 24 V.

### 25 NATURE AND HISTORY OF THE DEBTOR

26 The Plan provides for the reorganization of Debtor's estate, pursuant to the terms and  
27 conditions more fully set forth in the Plan. The following is a description of the nature of the  
28

1 business being reorganized under the Plan, including a summary of competitive industry conditions  
2 and Debtors' role in the industry. Along with the financial information included in this Disclosure  
3 Statement, the description is intended to provide an analysis of the nature of Debtors' property and  
4 business.

5 **A. Pre-Petition Background and Description of Debtors' Business.**

6 The Debtor was formed in May of 1963 under the laws of the State of California, and has  
7 operated as the owner and operator of various real properties in California since that time. In  
8 specific, in July 1986 the Debtor acquired the real property at 142 N 9<sup>th</sup> Street, and has operated it  
9 since that time. In 2005 the Debtor acquired the Plaza Apartments, and has operated them since  
10 that time, and in September 1968 the Debtor purchased real property and constructed Sierra Manor  
11 and has operated them since that time.

12 **1. Acquisition and Construction of the Medical Building**

13 In the spring of 2005, Kittitas Community Hospital("KCH") contacted Dr. Byron Haney  
14 and informed him of a need for a medical building in Ellensburg, Washington. The Debtor offered  
15 to construct and lease a structure to KCH. A.I.A Architect of Seattle were retained to design a  
16 structure with approximately 34,000 square feet of space. The Debtor contributed the land and  
17 initial site work, demolition, and building construction costs of approximately \$2,000,000.00. US  
18 Bank provided the US Bank Loan on October 20, 2007 to fund the completion of construction of  
19 the Medical Building. Huff Construction of Modesto California ("Huff") was hired to build the  
20 three story structure that would be the Medical Building.

21 As a result of problems associated with the Debtor's initial leasing agent for the proposed  
22 Medical Building resulted in KCH not proceeding with its original intent to lease in the Medical  
23 Building.

24 The leasing agent was able to deliver the Washington Department of Social and Health  
25 Services ("DSHS"). as a tenant for the Medical Building prior to completion, but to obtain the  
26 leasing commitment from DSHS required that an additional elevator be installed for its exclusive  
27 use. On or about May of 2008 US Bank representatives verbally informed the Debtor that a current  
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1 appraisal of the Medical Building resulted in a loan to value ratio of below 75%, and therefore US  
2 Bank would provide no further funding under the US Bank Loan. At the time US Bank terminated  
3 funding, it had extended funds in the total amount of \$4,858,442.06.

4 Aware that a failure to complete the Medical Building would result in no tenants and  
5 therefore no income, Huff agreed to complete the Medical Building.

6 Yakima Valley Memorial Hospital ("YVMH") was also interested in leasing space in the  
7 Medical Building, but required certain tenant improvement be included in any leasing arrangement.  
8 In order to fund the tenant improvements required by YVMH, members of the Haney Family  
9 invested \$141,288.00 toward tenant improvements for YVMH. Additionally, in order to continue  
10 working on the Medical Building, Huff requested the payment of \$200,000.00 to pay sub  
11 contractors hired to completed the Medical Building. An investor named Mark Grover loaned the  
12 Debtor \$200,000.00 to pay Huff the funds required to retain and pay the necessary subcontractors.

13 The total cost to complete the Medical Building came to approximately \$9.2 million.  
14 Accordingly, the Debtor's out of pocket investment in the Medical Building is approximately \$4.4  
15 million. To finance the additional investment in the Medical Building, the Debtor refinanced its  
16 California real estate, and the Guarantors also had Alpine refinance its real properties as well.

## 17 **2. US Bank's Alleged Involvement in the Operations of the Debtor**

18 The Debtor was unable to pay the US Bank Loan when it initially matured in 2009. US  
19 Bank subsequently amended the US Bank Loan via multiple amendments, the last amendment  
20 extending the loan maturity date to September 30, 2011.

21 After the loan had again matured, representative of US Bank directed the Debtor to open an  
22 new checking account at the Standiford US Bank branch, and transfer all proceeds from the tenants  
23 of the Medical Building that were being held at the Modesto Commerce Bank into the US Bank  
24 account. Thereafter, all rents and proceeds generated from the Medical Building were deposited  
25 into the US Bank account. There is currently believed to \$124,092.62 being held in that US Bank  
26 account.

1 Additionally, representatives of US Bank directed the Debtor to terminate its historical  
2 accounting firm Culbertson Jordan, and retain the firm of Grimbleby Coleman to perform  
3 accounting functions for the Debtor. Representatives of US Bank also directed that the Debtor hire  
4 Carlson, Boyd & Bailey to represent the Debtor in connection with workout negotiations with US  
5 Bank.

6 U.S. Bank disputes that it has been involved or controlled the operations of the Debtor at  
7 any time.

8 **B. US Bank Seeks Appointment of a Receiver.**

9 On May 31, 2012, US Bank filed that certain Complaint (General Receivership) against the  
10 Debtor in the Superior Court of the State of Washington for Kittitas County (the "State Court"),  
11 identified as Case No. 12-2-00169-6 (the "Receivership Action"). The Bank also served a notice  
12 of default, pursuant to RCW 61-24-081(8) to be served on the Debtor on June 8, 2012.

13 On July 14, 2012, US Bank filed its Motion for Appointment of General Receiver (the  
14 "Receivership Motion") in the Receivership Action.

15 **C. The Debtor's First Chapter 11 Filing.**

16 In order to stay the receivership proceedings in state court, the Debtor a Chapter 11 was  
17 initiated by a voluntary petition filed on July 20, 2012 in the United States Bankruptcy Court for  
18 the Eastern District of California under case no. 12-92017-E-11 (the "First Case").

19 Due in large part to illness of counsel for the Debtor in the First Case, no affirmative action  
20 was taken on the Debtors behalf, and on November 3, 2012 the First Case was dismissed on US  
21 Bank's motion.

22 **D. Appointment of the Receiver; Administration of the Receivership Estate.**

23 On December 3, 2012, the State Court entered that certain Order Appointing General  
24 Receiver with regard to the Medical Building.

25 Subsequently, on February 19, 2013, the State Court ordered that the Parking Lot, which  
26 was not part of US Bank's collateral, be included in the receivership estate.

1 Sometime later in 2013, the Receiver received an offer from Watermark Equity LLC  
2 (“Watermark”) to purchase the Medical Building and the Parking Lot for a total price of  
3 approximately \$4.2 million. Based on tax assessed values, the Receiver allocated the purchase  
4 price as follows: (1) \$4,072,530 to the Medical Building and associated personal property; and (2)  
5 \$127,470.00 to the Parking Lot.

6 The Receiver filed a motion with the State Court to approve overbid procedures and to  
7 approve the sale to Watermark. On February 25, 2014 the State Court entered that certain Order  
8 Approving Overbidding Procedures in Connection with the Sale of Property which provided a  
9 deadline of March 10, 2014 for the submission of any additional bids for the Medical Building and  
10 Parking Lot. No overbids were received by the March 10, 2014 deadline.

11 In order to protect its \$9.2 million investment in the Medical Building and prevent it and  
12 the Parking Lot’s sale for a total of \$4.2 million, the Debtor filed the Case.

13 **E. Employment of Professionals by the Estate**

14 On March 26, 2014 an application of employment was filed to employ Kimel Law Offices  
15 to act as general insolvency counsel for Debtor. On April 22, 2014 an order was entered approving  
16 the employment of Kimel Law Office as counsel for the Debtor and Debtor in Possession.

17 On March 28, 2014 an application was filed to employ Culbertson Jordan as accountants  
18 for the Debtor. On April 22, 2014 an order was entered approving the employment of Culbertson  
19 Jordan as accountants for the Debtor and Debtor in Possession.

20 On May 20, 2014, the Debtor an application was filed to employ James Perkins of Larson,  
21 Berg & Perkins as special counsel in connection with the Receiver Fee and Termination Motion, as  
22 that term is defined herein. As Mr. Perkins had represented the Debtor in connection with the  
23 Receivership Action, he was familiar with the issues raised by the Debtor in objection to the  
24 Receiver Fee and Termination Motion.

25 On June 13, 2014, US Bank filed an objection to the application to employ Perkins as  
26 special counsel. A hearing on July 21, 2014, the Court approved the employment of Mr. Perkins as  
27 special counsel.

1           **F.     Non- Formation of the Creditors Committee**

2           On March 13, 2014, the Office of the United States Debtor filed a Notice of Non-  
3 Appointment of a creditor's committee in Debtor's case

4           **G.     Insiders Of The Debtor**

5           Pursuant to the definition of an insider provided by Bankruptcy Code § 101(31), as of the  
6 Petition Date the following individuals or entities are insiders of the Debtor: Byron and Rose  
7 Haney, Eric and Sue Layman, Marcus and Jeanette Haney, Roger and Marleta Haney. Although  
8 there cross ownership between the Debtor and Alpine<sup>1</sup>.

9           **H.     Other Post-Petition Matters.**

10          **1.     US Bank Motion For Relief From Stay and to Excuse Turnover By the**  
11 **Receiver**

12          On March 14, 2014, US Bank filed that certain Motion for Relief From Stay as to the  
13 Medical Building and the Parking Lot, in order to allow the sale of those two properties to proceed,  
14 as well as that certain Motion to Excuse Compliance with 11 U.S.C. § 543. US Bank requested  
15 that the matters be heard on shortened notice.

16          On March 19, 2014, the Debtor filed its opposition to the shortening of time and to both the  
17 motion to lift the stay and excuse the turnover by the receiver.

18          After a hearing on all matters on March 21, 2014, the Court granted the US Bank's motion  
19 to shorten time, and then denied both the motion to lift the stay and the motion to excuse  
20 compliance with Code § 543. The Court additionally continued the hearing on US Bank's motion  
21 for relief form stay to a final hearing on April 8, 2014. That hearing was subsequently continued  
22 by the agreement of the parties to a date after a hearing on the Debtor's motion for Interim Use of  
23 Cash Collateral.

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27 <sup>1</sup> Debtor believes that Alpine would be considered an "affiliate" of the Debtor, as that term is defined under Code  
28 §101(2) as Alpine would be considered as indirectly owning 20 percent or more of the voting securities of the Debtor.

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1           **5. The Receiver's Motion for Approval of Final Unpaid Fees of Receiver and**  
2           **Counsel and Motion for Authority to File Motion to Terminate Receivership (the**  
3           **"Receiver Fee and Termination Motion")**

4           On April 16, 2014, the Receiver filed the Receiver Fee and Termination Motion. The  
5 Debtors filed an objection through proposed special counsel on May 6, 2014. The matter was  
6 currently set for hearing on August 11, 2014 at 10:00 a.m.

7           On September 11, 2014, the Court entered an order awarding Revitalization Partners LLC  
8 fees of \$13,775.00 and expenses of \$109.76 as final fees for serving as receiver, and awarded Ball  
9 Janik LLP fees of \$13,131.00 and expenses of \$593.65 as final compensation as counsel for the  
10 receiver.

11           **6. The Debtor's Continued Operation of the Debtor's Business.**

12           Since the filing of the Petition, the Debtor regained possession of the Medical Building, and  
13 has been in the process of evaluating the condition of the Medical Building, as well as seeking out  
14 additional prospective tenants in order lease out the remaining space in the Medical Building.

15           With regard the 142 N. 9<sup>th</sup> St, the Plaza Apartments and Sierra Manor, the Debtor has  
16 continued to operate those properties in the ordinary course of business.

17           As Evidenced by the budgets attached as Exhibit "4" hereto, 142 N. 9<sup>th</sup> St, the Plaza  
18 Apartments and Sierra Manor are expected to operate on a positive cash flow basis during the  
19 period of the Debtor's operation as debtor in possession.

20           **I. U.S. Bank's September 8<sup>th</sup> Motion For Relief From Stay and Mediation**  
21           **Between the Debtor and U.S. Bank.**

22           On September 8, 2014, U.S. Bank again filed a motion seeking relief from the automatic  
23 stay and abandonment of the Medical Building from the bankruptcy estate. On September 24,  
24 2014 the Debtor filed an objection to the motion. On October 9, 2014, the Court held a hearing on  
25 the motion for relief from stay. On October 10, 2014, the Court issued its ruling denying the  
26 motion, and finding that the parties were not far apart based on the economics of the case, referred  
27 the matter to Judge Frederick Corbit for mediation. On October 14, 2014 and order was entered  
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1 appointing Judge Corbit as the mediation judge, and after a status conference on October 21, 2014,  
2 the mediation was set for November 14, 2014 in Spokane.

3 At the mediation on November 14, 2014, the parties each signed off on a mediation term  
4 sheet which the Debtor believes that, now with the support of U.S. Bank, will allow the Plan to be  
5 confirmed on a consensual basis. The terms of the mediation term sheet have been incorporated  
6 into the Plan which is attached hereto as Exhibit "1", and incorporated herein by reference.

## 7 8 **VI.**

### 9 **FINANCIAL DISCLOSURES DURING THE CASE**

10 On or about April 8, 2014, the Debtor filed its Schedules in the Case. The Schedules and  
11 the amendments thereto provide substantial financial information about the assets and liabilities of  
12 the Debtor's Estate as of the Petition Date. The Schedules are available for inspection during  
13 normal business hours at the Clerk's office of United States Bankruptcy Court located in the 401 E.  
14 Yakima Ave., Yakima, Washington 98901, or may be accessed via the internet at the bankruptcy  
15 website for the Eastern District of Washington at [www.waeb.uscourts.gov](http://www.waeb.uscourts.gov).

16 In addition to the Schedules, both the Debtor and the Debtor have been preparing interim  
17 monthly operating statements in accordance with the requirements of the United States Debtor.  
18 Copies of the interim statements may be accessed via the internet at the bankruptcy website for the  
19 Eastern District of Washington at [www.waeb.uscourts.gov/](http://www.waeb.uscourts.gov/).

#### 20 **A. Assets of The Debtor**

21 The following is a summary of the Debtor's assets and liabilities. Asset values are based  
22 upon the Debtor's estimate of either the fair market value of the assets as of the date of filing of the  
23 Case or current value for cash.

24

Assets	Estimated Value
Real Property	\$8,630,000.00
Tangible Personal Property	\$4,400.00

28

Cash (comprised of rent proceeds currently being held by US Bank)	\$124,092.62
Other Cash – US Bank cash collateral (held at Chase)	\$39,824.44
Cash held by KLO in trust	\$25,537.00 <sup>2</sup>
Receivables From Shareholders	\$1,305,000.00
Other Cash – other lenders cash collateral	\$59,736.92 <sup>3</sup> .
Receivable from Non Shareholder <sup>4</sup>	\$94,780.00
Total:	\$10,283,370.06

## B. Liabilities of the Debtor

### 1. Administrative Liabilities.

The Debtor believes that, as of September 23, 2014, the following administrative liabilities are outstanding:

Creditor	Amount
Kimel Law Offices	\$10,000.00 <sup>5</sup>
Culbertson Jordan	\$12,000.00 <sup>6</sup>
Revitalization Partners LLC	\$13,884.76
Ball Janik LLP	\$13,724.65

<sup>2</sup> As of September 23, 2014.

<sup>3</sup> Comprised of \$53,736.92 in Wells Fargo DIP checking account and \$5,587.94 in a Wells Fargo DIP savings account.

<sup>4</sup> Scheduled as receivable for tenant improvements from Yakima Medical Group

<sup>5</sup> Estimated as of 9/24/14.

<sup>6</sup> Estimated s of 9/24/14.

1                   2.     Allowed Priority Unsecured Claims.

2                   As of June 30, 2014, the Debtor believes that there are no Allowed Priority  
3 Unsecured Claims which are owed by the Debtor.

4                   3.     Secured Claims.

5                   As of June 30, 2014, the Debtor owed the following Filed or Scheduled secured  
6 claims which the Debtor believes to be valid secured claims against the Debtor:

Creditor	Amount	Collateral
Key Bank	\$1,385,240.00	142 N. 9 <sup>th</sup> Street
Chase	\$1,382,281.00	Sierra Manor
Chase	\$1,209,240.00	Plaza Apartments
US Bank	\$5,441,431.75 <sup>7</sup>	Medical Building
Alpine Townhouse Apartments LLC	\$2,303,637.00 <sup>8</sup>	Junior lien against all of the Debtors California real properties
Total	\$11,721,829.75	

15  
16                   4.     General Unsecured Claims.

17                   Pursuant to the Claims Register in the Case, the Debtor estimates that there is  
18 approximately \$663,670.00 in Claims that will be entitled to be treated as General Unsecured  
19 Claims owed by the Debtor. A detailed list of these Claims are attached hereto as Exhibit "3".  
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27 <sup>7</sup> This would be US Bank's total claim to be filed in the case per e-mail correspondence of 7/7/14.

28 <sup>8</sup> Again, this is the total Scheduled Claim. The Allowed Secured claim is anticipated to be \$291,162.00

VII.

**DESCRIPTION OF THE PLAN;**

**CLASSIFICATION OF CLAIMS AND INTERESTS;**

**TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN**

The following provisions are the terms of the Plan. The terms of the Plan will be controlling on the Creditors in the event that the Plan is confirmed. Therefore, all Creditors are urged to read all the Plan provisions carefully in their entirety.

**A. What is the Purpose of the Plan**

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

**B. Classification of Claims.**

The Plan provides for the following classification for Claims:

Class 1	Allowed Secured Claims for Property Taxes
Class 2	Allowed Unsecured Priority Claims
Class 3	Allowed Secured Claim of Key Bank
Class 4	Allowed Secured Claim of Chase (Plaza Apartments)
Class 5	Allowed Secured Claim of Chase (Sierra Manor)
Class 6	The Allowed Secured Claim of US Bank
Class 7	Allowed Secured Claim of Alpine
Class 8	Allowed General Unsecured Claims
Class 9	The Allowed Unsecured Claim of Alpine
Class 10	The Allowed Unsecured Claim of Marcus Haney

**C. Unclassified Claims.**

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class:

**1. Administrative Expenses.**

Administrative expenses are costs or expenses of administering the Debtors chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtors estimated administrative expenses as of the Confirmation Date and their proposed treatment under the Plan:

Claimant	Amount	Treatment
Kimel Law Offices	\$15,000.00 (estimated)	Paid post-confirmation out of operations or amounts set aside and held pursuant to the cash collateral orders in place in the Case
Culbertson Jordan CPA's	\$10,000.00	Paid post-confirmation out of operations or amounts set aside and held pursuant to the cash collateral orders in place in the Case
Post-Petition Tax Obligations	\$0.00	
US Debtor Quarterly Fees	\$4,875.00	Paid on the Plan Effective Date

1  
2 **2. Priority Tax Claims.**

3 Priority tax claims are unsecured income, employment, and other taxes described by §  
4 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it  
5 must receive the present value of such claim, in regular installments paid over a period not  
6 exceeding 5 years from the order of relief.

7 The Debtor does not believe that there any Filed or Scheduled Claims that would be  
8 entitled to treatment as a § 507(a)(8) priority tax claims. In the event there are any, they will be paid  
9 in full within 30 days of the Effective Date of the Plan.

10 **D. Treatment of Classified Claims under the Plan.**

11 **1. Basic Structure of the Plan**

12 The proposed Plan is attached hereto as Exhibit “1”.

13 **2. Classification and Treatment of Claims**

14 Section 1123 of the Code requires that the Debtor classify all Claims dealt with in  
15 the Plan. Pursuant to Section 1122 of the Code, the Debtor may place all Claims which are  
16 substantially the same in the same Class in the Plan. Section 1123(a)(4) of the Code requires that  
17 the Plan provide the same treatment for all Claims in the same Class, unless the holder of a  
18 particular Claim agrees to a less favorable treatment of that Claim.

19 Sections 1123(a)(2) and (a)(3) of the Code require that the Debtor specify in the  
20 Plan any Class of Claims that is not “impaired” by the Plan and specify the treatment of any Class  
21 of Claims that is “impaired” by the Plan. Pursuant to Section 1124 of the Code, a Class of Claims  
22 is “impaired” by the Plan unless the Plan (i) leaves unaltered the legal, equitable and contractual  
23 rights of the holders of the Claims; or (ii) cures any defaults with respect to the Claims for any  
24 damages incurred by them as a result of any reasonable reliance by them on contractual provisions  
25 or applicable law entitling them to receive accelerated payment after the occurrence of such  
26 defaults. Pursuant to Section 1126(f) of the Code, a Class of Claims that is not impaired by the  
27  
28

1 Plan is conclusively presumed to have accepted the Plan, and is not entitled to vote on the Plan. As  
2 discussed herein, all Classes are impaired under the Plan and therefore entitled to vote on the Plan.

3 Pursuant to Section 1126 of the Code, a impaired Class of Claims accepts the Plan if  
4 the holders of at least two-thirds in amount of and more than one-half in number of the holders of  
5 Allowed Claims voting in such Class of Claims vote to accept the Plan. A class of interests accepts  
6 the Plan if the holders of at least two-thirds in amount of the Allowed Interests voting in such class  
7 of interests vote to accept the Plan.

8 The Debtor has requested that the Bankruptcy Court confirm the Plan under the  
9 provisions of Section 1129(a) - (e) of the Code. Section 1129(a) sets forth relevant criteria which a  
10 Plan must satisfy in order for the Debtor to obtain confirmation for the Plan. The Document does  
11 not recite all of the criteria; parties in interest are referred to Section 1129. The Document does,  
12 however, state that confirmation standard set forth in Section 1129(a)(7) which provides that the  
13 Plan must distribute to each holder of a claim or interest in an impaired class of Claims or interest  
14 which has not accepted the Plan, property of a value, as of the Effective Date of the Plan, that is not  
15 less than the amount that such holder would receive or retain if the Debtor was liquidated under  
16 Chapter 7. This is known as the "best interests" test. As set forth in Section IX herein, the Debtor  
17 believes that the Plan satisfies this requirement.

18  
19 Among the other confirmation standards are those set forth in Section 1129(a)(8)  
20 and (b)(1)-(2) which provide that the Plan may be confirmed only if the Plan is accepted by each  
21 class of impaired Claims or interests or if the Plan does not discriminate unfairly and is fair and  
22 equitable with respect to each impaired Class that did not vote in favor of the Plan. The discussion  
23 of the relevant Code provisions concerning the fair and equitable treatment of any secured creditors  
24 is set forth below. With respect to a class of unsecured Claims, in order to be fair and equitable, a  
25 plan must provide that each holder of such a Claim will receive or retain, as of the Effective Date,  
26 property of a value equal to the allowed amount of such Claim or that the holder of any junior  
27 claim or interest will not receive or retain any property under the Plan unless the senior claim  
28



holder is paid in full. This last requirement is referred to as the "absolute priority rule." With respect to a class of interests, fair and equitable means that the Plan provides each interest holder with property of a value, as of the Effective Date, equal to the greater of any fixed liquidation preference, any fixed redemption price or the value of such interest. Alternatively, with respect to interest holders, a Plan is fair and equitable if it comports with the absolute priority rule. The absolute priority rule specifies that no junior class of claims or interests may receive or retain any property under a plan unless senior classes are paid in full. Additionally, with respect to Secured Claims, Unsecured Claims and Interests, the Court must find that the Plan is in fact fair and equitable, as such terms are commonly understood.

Under the Plan, "equity" is retaining an interest in the Reorganized Debtor. The plan provides that holders of Allowed Unsecured Claim will receive on account of the claims property of a value as of the effective date, equal to the allowed amount of their claims. Accordingly, the absolute priority rule is satisfied under the terms of the Plan.

The Plan designates 11 (11) classes of Claims and Interests. The Plan has established these Classes based upon the relative rights of the holders of the Claims and Interests against the Debtor. The classification and treatment of Allowed Claims under the Plan are summarized as follows:

**1. Class 1 Claims (Allowed Secured Claim for Property Taxes).**

Class 1 consists of any and all property taxes. Class 1 is impaired under the Plan. The Plan provides the following treatment for holders of Allowed Claim 1 Claims: The Debtor believes that there are no current in property taxes owed for any of its real properties. The Holders of the Allowed Class 1 Claims shall retain its liens against the current real properties securing those liens until the Allowed Class 1 Claim has been paid in full.

**2. Class 2 Claims (Unsecured Priority Claims).**

Class 2 consists of any and all Priority claims, other than claims of the kind specified in Code Sections 507(a)(1), 507(a)(2) or 507(a)(8). Holders of Class 2 Claims are unimpaired under

the Plan. Debtor believes that there are no claims which would qualify as Class 2 Claims, and to date there have been no Claims filed as an unsecured priority claim. In the event there are any Class 2 Claims, then on or before the Effective Date, all Allowed Class 2 Claims will be paid in full, in Cash.

Class 2	Description	Impairment	Treatment
None	claims of the kind specified in Code Sections 507(a)(1), 507(a)(2) or 507(a)(8)	Unimpaired	Payment in Full on the Effective Date of the Plan

Debtor believes that there are no unsecured priority claims that would qualify as Allowed Class 2 Claims.

**3. Class 3 Claims (the Allowed Secured Claim of Key Bank).**

**(1) Impairment And Voting.**

The Class 3 is impaired under this Plan. The holder of an Allowed Claim in Class 3 is entitled to vote to accept or reject this Plan.

**(2) Allowance and Distribution.**

Key Bank's Allowed Class 3 Claim is an Allowed Secured Claim. Key Bank shall have an Allowed Claim in the total amount of \$1,335,898.50. The Key Bank collateral was valued at \$1,750,000.00 in the Schedules.

On the Effective Date, the Key Bank Loan Documents shall be modified to provide that the Reorganized Debtor shall have the right, only once, during the 24 month period commencing with the Confirmation Date, to defer one of the required monthly payments as provided for under the Key Bank Loan Documents for a period of nine months (the "**Payment Holiday**"), but the Debtor is not required to exercise such Payment Holiday. The deferral may not exceed nine months. At the end of the deferral period, Debtor shall be obligated to cure the missed payment and shall pay the payment amount plus interest accrued at the non-default interest rate.

1 Debtor shall be required to give the Holder of the Allowed Class 3 Claim ten (10) days  
2 written notice prior to exercising its right to the Payment Holiday.

3 (3) All Other Rights Of Class 3 Claims Unchanged by the Plan.

4 Notwithstanding anything in the Disclosure Statement, Plan, or the Confirmation Order, or  
5 any attachments, supplements, schedules, exhibits or additions to any of the proceeding  
6 (collectively the “**Plan Related Documents**”), the Debtor hereby reaffirms and ratifies all Key  
7 Bank Loan Documents, as modified by Paragraph 3(2) of Class 3 in Debtor’s Second Amended  
8 Plan. To the extent there is a discrepancy between the Plan Related Documents and this Paragraph  
9 3(3), Paragraph 3(3) of the Plan controls. The Debtor hereby acknowledges and agrees that Key  
10 Bank is the holder and servicer of the Class 3 Claims which shall be deemed fully allowed secured  
11 claims in the outstanding amount of \$1,335,898.50 as of December 29, 2014, and that such  
12 amounts are not subject to deduction, demand, claim, defense or setoff, offset, recoupment or  
13 reconsideration of any kind. Key Bank may add its legal fees, costs, expenses and other advances  
14 it incurs in this case to the amounts owed under the Key Bank Loan Documents and Debtor shall  
15 reimburse Key Bank for such expenses without further court order. For the avoidance of doubt: (i)  
16 all liens provided under the Key Bank Loan Documents shall be retained, ratified, reaffirmed and  
17 be unaffected by the Case; (ii) the Debtor or its affiliates, including any guarantors of the Key  
18 Bank Loan or Key Bank Note shall not be discharged from any liability under the Key Bank Loan  
19 Documents by the Plan Related Documents; (iii) after occurrence of an event of default under the  
20 Key Bank Loan Documents (excluding the current Case), Key Bank or its agents may exercise any  
21 and all rights and remedies against the Debtor or its affiliates or any guarantors of the Key Bank  
22 Loan or Key Bank Note as are available at law or in equity without further order from the  
23 Bankruptcy Court including, without limitation acceleration, default interest, penalties, costs,  
24 damages and other rights allowed under the Key Bank Loan Documents; (iv) the Reorganized  
25 Debtor shall continue to bound by and to comply with all terms of the Key Bank Loan Documents,  
26 including, but not limited to the receipt of timely payments from the Reorganized Debtor, except as  
27 only modified by the Payment Holiday; and (v) the Debtor does not have any claims or causes of  
28

1 action against Key Bank or its predecessors relating in any way to the Key Bank Loan Documents  
2 as of the Confirmation Date of this Plan, and therefore: Debtor hereby releases and forever  
3 discharges Key Bank and Key Bank's agents, principals, successors, assigns, employees, officers,  
4 directors, and attorneys, and each of them, of and from any and all claims, demands, damages,  
5 suits, rights, defenses, offsets, or causes of action of every kind and nature that Debtor has or may  
6 have as of the Confirmation Date, whether known or unknown, contingent or matured, foreseen or  
7 unforeseen, asserted or unasserted, including, but not limited to, all claims for compensatory  
8 damages, general damages, special damages, consequential damages, incidental damages, punitive  
9 damages, attorney fees, and equitable relief. In furtherance of the releases set forth above, Debtor  
10 acknowledges and waives the benefits of California Civil Code Section 1542 (and all similar  
11 ordinances and statutory, regulatory, or judicially created laws or rules of any other jurisdiction),  
12 which provides:

13 A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS  
14 WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO  
15 EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING  
16 THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST  
17 HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT  
18 WITH THE DEBTOR.

19 (4) Retention of Liens.

20 Key Bank shall retain its liens against its current collateral.

21 4. Class 4 (the Secured Claim of Chase Secured by Plaza Apartments).

22 (1) Impairment And Voting.

23 The Class 4 is unimpaired under this Plan. The holder of an Allowed Claim in Class 4 is  
24 not entitled to vote to accept or reject this Plan.

25 (2) Allowance and Distribution.

26 The Allowed Class 4 Claim is a secured claim. The Scheduled amount of the Class 4 Claim  
27 as of the Petition Date was \$1,209,240.00. The Debtor estimates the value of the Class 4 Claim's  
28 collateral to be approximately \$1,200,000.00 in the Schedules.

1 The Debtor shall continue to pay the Allowed Class 4 Claim in accordance with the  
2 contractual terms of the Chase Plaza Apartments Loan

3 (3) Retention of Liens.

4 Chase shall retain its liens against the Plaza Apartments.

5 **5. Class 5 Claim (Allowed Secured Claim of Chase secured by Sierra**  
6 **Manor).**

7 (1) Impairment And Voting.

8 The Class 5 is unimpaired under this Plan. The holder of an Allowed Claim in Class 5 is  
9 not entitled to vote to accept or reject this Plan.

10 (2) Allowance and Distribution.

11 The Allowed Class 5 Claim is a secured claim. The Scheduled amount of the Class 5 Claim  
12 as of the Petition Date was \$1,382,321.00. The Debtor estimates the value of the Class 5 Claim's  
13 collateral to be approximately \$1,480,000.00 in the Schedules.

14 The Debtor shall continue to pay the Allowed Class 5 Claim in accordance with the  
15 contractual terms of the Chase Sierra Manor Loan documents.

16 (3) Retention of Liens.

17 Chase shall retain its liens against Sierra Manor.

18 **6. Class 6 Claim (Allowed Secured Claim of US Bank).**

19 (1) Impairment And Voting.

20 The Class 6 Claim is impaired under this Plan. The holder of an Allowed Claim in Class 6  
21 is entitled to vote to accept or reject this Plan.

22 (2) Allowance and Distribution.

23 The Allowed Class 6 Claim is a secured claim. The Filed amount of the Class 6 Claim is  
24 \$5,439,995.55. The Filed Claim sets the value of U.S. Bank's collateral at \$4,270,072.95.

25 On September 3, 2014, U.S. Bank filed a notice of its election for treatment under Section  
26

1 1111(b)(2) of the Bankruptcy Code. Under Section 1111(b)(2), when an allowable election is  
2 made, then the holder of such a secured claim is required to be treated as a fully secured claim to  
3 the extent that the claim is allowed. Accordingly, U.S. Bank's has an Allowed Secured Claim in  
4 the Case in the amount of \$5,439,995.55.

5 On the Effective Date, the U.S. Bank's Allowed Secured Claim shall be modified as  
6 follows:

7 Loan Amount: Pursuant to an agreement between the Debtor and U.S. Bank, the  
8 contractual balance on the Effective Date, prior to giving effect to the application of the funds U.S.  
9 Bank is holding in the \$124,092.62 account, shall be a principal balance of \$4,783,362.03, actual  
10 accrued but unpaid interest as of January 1, 2015 (this amount is \$530,789.85 as of December 4,  
11 2013, and will be updated as of January 1, 2015, to reflect additional interest accrual and any  
12 payments made between December 5, 2014, and January 1, 2015), and prepetition attorney fees of  
13 \$109,749.07. This amount shall be the "U.S. Bank Loan Amount."

14 Change in Interest Rate: Commencing on January 1, 2015, the principal balance of the U.S.  
15 Bank Loan shall bear interest at a fixed rate of 7.155 percent per annum.

16 (a) First optional interest rate deduction. If the Debtor makes a \$75,000  
17 principal curtailment to U.S. Bank by April 30, 2015 (not including the setoff of  
18 \$124,092.62 described below), then the interest rate will be reduced by 0.25%. However, if  
19 the interest rate is reduced, the amount of the monthly payments (as described below) will  
20 remain unchanged.

21 (b) Second optional interest rate deduction. If the Debtor makes an additional  
22 \$75,000 principal curtailment by December 31, 2015 (not including the setoff of  
23 \$124,092.62 described below), then the interest rate will be reduced by 0.25%. However, if  
24 the interest rate is reduced, the amount of the monthly payments (as described below) will  
25 remain unchanged.

26 Change in Payment Schedule: Beginning in January, 2015, Debtor shall make monthly  
27 payments of \$39,000.00 per month to U.S. Bank on account of the U.S. Bank Loan. Beginning in  
28

1 January 2016, Debtor shall make monthly payments of \$41,000.00 per month to U.S. Bank on  
2 account of the U.S. Bank Loan. Each monthly payment shall be applied first to interest accrued on  
3 the principal balance on and after January 1, 2015, and, when such interest is fully paid, then the  
4 remainder of each payment, if any, shall be applied to the principal balance of the U.S. Bank Loan.  
5 The payment each month shall be made so as to be actually received on or before the last business  
6 day of such month. The Debtor shall pay the entire remaining balance due (which will include the  
7 remaining principal balance, accrued but unpaid interest as of January 1, 2015, and prepetition  
8 attorney fees) on U.S. Bank's Loan Amount in full no later than December 31, 2018.

9 Payment Location: Debtor's payments shall be made payable to "U.S. Bank National  
10 Association" and delivered to Alan R. Milster, U.S. Bank National Association – Special Assets  
11 Group, SL-MO-T7CP, One U.S. Bank Plaza, St. Louis, MO 63101, Tel: (314) 418-2468, or such  
12 other address as U.S. Bank provides in the future to Debtor in writing.

13 Setoff of Account: Upon the Confirmation Date, U.S. Bank is authorized to setoff the  
14 \$124,092.62 the Debtor is presently holding in an account at U.S. Bank and apply the \$124,092.62  
15 to the principal balance of the U.S. Bank Loan.

16 (3) Retention of Liens.

17 The Allowed Class 6 Claim shall retain its lien against the Medical Building and any  
18 related collateral as provided for under the U.S. Bank Security Documents.

19 (4) Grant of Additional Lien.

20 Within 10 business days of the Confirmation Date, Debtor must execute and deliver a first  
21 priority deed of trust to U.S. Bank, in a form reasonably acceptable to U.S. Bank (which U.S. Bank  
22 will supply), and which will provide U.S. Bank with insurable title, to pledge the Parking Lot to  
23 U.S. Bank as additional collateral for the Debtor's obligations to U.S. Bank. U.S. Bank shall be  
24 entitled to record this deed of trust upon receipt.

25 (5) Loan Documents.

26 Except to the extent expressly modified by this Plan, all of the existing documents (the  
27 "Existing Loan Documents") in favor of U.S. Bank evidencing or related to the Class 6 claim shall  
28

1 remain in full force and effect and are reaffirmed in their entirety. All provisions of the Existing  
2 Loan Documents regarding the cash sweep, the CF Payment (as that term is defined in the Existing  
3 Loan Documents), payment of any monies received by the Debtor from third party loans, or any  
4 obligation of U.S. Bank to provide funding for tenant improvements or any other purpose are  
5 hereby deleted. U.S. Bank will have no obligation to provide any further funding to the Debtor.

6 (6) Financial Reporting.

7 In addition to any reporting requirements in the Existing Loan Documents, the Debtor shall  
8 also deliver to U.S. Bank by the fifteenth day of the month after month end a month-end balance  
9 sheet, an income statement, a detailed rent roll, leasing and operations narrative report, and bank  
10 account backup documentation for the preceding month.

11 (7) Sale of Medical Building Subject to Holder's Right To Credit  
12 Bid.

13 The Plan contemplates that payment of the balance of the U.S. Bank Loan Amount which  
14 will be due on December 31, 2018, shall be funded by a sale or refinance of the Medical Building  
15 on or before December 31, 2018. In any proposed sale of the Medical Building, the Holder of the  
16 Allowed Class 6 Claim shall have the right to credit bid the amount of its claim, at the time of the  
17 proposed sale, in accordance with Code § 363(k). In the event that the Medical Building is not sold  
18 or refinanced by the Debtor on or before December 31, 2018, and the U.S. Bank Loan is not paid in  
19 full, then U.S. Bank shall be free to exercise all of its available rights and remedies under the  
20 Existing Loan Documents.

21 (8) Rental of Unleased Space in the Medical Building.

22 Debtor shall use its best efforts to lease the space in the Medical Building which is currently  
23 not leased. The following terms shall govern the rental of the unleased space in the Medical  
24 Building:

25 (a) All of the lease terms need to be not less than the economic  
26 equivalent of \$17.50/square foot on a triple net basis, with a \$25/square foot tenant  
27 improvement allowance.  
28



1 (b) By April 30, 2015, the Debtor must have signed new leases for at  
2 least 2,500 square feet. Those tenants must begin paying rent by August 1, 2015.  
3 These leases must be to bona fide third party tenants. Debtor's failure to have these  
4 leases and to provide evidence of these leases to U.S. Bank will be an event of  
5 default under the Existing Loan Documents, as modified by this Plan. If the Debtor  
6 has these leases, then the interest rate will be reduced by 0.25%. However, if the  
7 interest rate is reduced, the monthly loan payment amount will remain unchanged.

8 (c) By December 31, 2015, Debtor must have signed new leases for not  
9 less than another 2,500 square feet. Those tenants must begin paying rent by  
10 January 1, 2016. At least 1,000 square feet must be to bona fide third party tenants,  
11 but the remaining 1,500 square feet or less may be to an entity owned by or  
12 affiliated with Dr. Haney. Debtor's failure to have these leases and to provide  
13 evidence of these leases to U.S. Bank will be an event of default under the Existing  
14 Loan Documents, as modified by this Plan.

15 (9) Release.

16 Debtor hereby releases and forever discharges U.S. Bank and U.S. Bank's agents,  
17 principals, successors, assigns, employees, officers, directors, and attorneys, and each of them, of  
18 and from any and all claims, demands, damages, suits, rights, defenses, offsets, or causes of action  
19 of every kind and nature that Debtor has or may have as of the Confirmation Date, whether known  
20 or unknown, contingent or matured, foreseen or unforeseen, asserted or unasserted, including, but  
21 not limited to, all claims for compensatory damages, general damages, special damages,  
22 consequential damages, incidental damages, punitive damages, attorney fees, and equitable relief.  
23 In furtherance of the releases set forth above, Debtor acknowledges and waives the benefits of  
24 California Civil Code Section 1542 (and all similar ordinances and statutory, regulatory, or  
25 judicially created laws or rules of any other jurisdiction), which provides:

26 A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS  
27 WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO  
28 EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING  
THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST  
HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT  
WITH THE DEBTOR.

29 7. Class 7 Claim (Allowed Secured Claim of Alpine.

30 (1) Impairment And Voting.

31 The Class 7 is impaired under this Plan. As an insider of the Debtor, the holder of an

1 Allowed Claim in Class 7 is not entitled to vote to accept or reject this Plan.

2 (2) Allowance and Distribution.

3 The Allowed Class 7 Claim is a secured claim. The Scheduled amount of the Class 7 Claim  
4 as of the Petition Date was \$2,303,673.00. The Debtor estimates the value of the Class 7 Claim's  
5 interest in collateral to be approximately \$291,162.00 based upon the values provided for Alpine's  
6 collateral in the Schedules. Accordingly, Alpine is an undersecured creditor in the Case. Alpine  
7 shall have an Allowed Secured Claim in the Case in the amount of \$291,162.00. The remaining  
8 balance of \$2,012,475.00 shall be treated as and Allowed Class 9 Claim.

9 On the Effective Date, the Alpine execute new loan and security documents or modify the  
10 existing Alpine Loan documents and Alpine Security Documents to provide as follows: the  
11 principal balance of the Alpine Loan shall be restated to \$291,162 shall accrue interest on an  
12 monthly basis calculated at the non-default interest rate as provided for under the Alpine Loan  
13 Documents. No payments shall be made on account of the Allowed Alpine Secured Claim until  
14 the Class 6 Claim and Allowed Class 8 Claims have been paid in full. Thereafter the Allowed  
15 Alpine Secured Claim shall be paid in monthly installments to be determined by the Debtor and  
16 Alpine.

17 (3) Retention of Liens.

18 Alpine shall retain its existing liens against its collateral up to the amount of its  
19 Allowed Secured Claim.

20  
21 **8. Class 8 Claims – Allowed Unsecured Claims (other than Marcus**  
22 **Haney).**

23 (1) Impairment And Voting.

24 The Class 8 is impaired under this Plan. Holders of an Allowed Claims in Class 8 are  
25 entitled to vote to accept or reject this Plan.

26 (2) Allowance and Distribution.

27 The holders of Allowed Class 8 Claims shall be paid 100% of their Allowed Claims as  
28

1 follows: Commencing in December of 2016 and through December 2019, holders of Allowed  
2 Class 8 Claims has be paid an annual payment of \$25,000.00, which shall be paid Pro Rata to the  
3 holders of Allowed Class 8 Claims. Commencing in January 2020, and provided that the Allowed  
4 Class 6 Claim has been paid in full, the Debtor shall commit all Available Cash toward payment of  
5 Allowed Class 8 Claims until those claims have been paid in full.

6  
7 **9. Class 9 Claims (the Allowed Unsecured Claim of Alpine)**

8 (1) Impairment and Voting.

9 Class 9 Claims are impaired under the Plan. As an insider of the Debtor, the holder of an  
10 Allowed Claim in Class 9 is not entitled to vote to accept or reject this Plan.

11 (2) Allowance and Distribution

12 The holder of the Allowed Class 9 shall have an Allowed Claim in the amount  
13 \$2,012,475.00.

14 The Allowed Class 9 Claim, shall be entitled to be paid in full. No payments shall  
15 be made on account of the Allowed Class 9 Claim until all Allowed Class 6 and 8 Claims have  
16 been paid in full in accordance with the Plan.

17 **10. Class 10 Claim (the Allowed Unsecured Claim of Marcus Haney)**

18 (1) Impairment and Voting.

19 Class 10 Claims are unimpaired under the Plan. Holders of Allowed Claims in Class 10 are  
20 not entitled to vote to accept or reject this Plan.

21 (2) Allowance and Distribution

22 The holder of the Allowed Class 10 shall have an Allowed Claim in the amount as  
23 of the Petition Date of \$63,670.00.

24 The Allowed Class 10 Claim arises out of a loan made to the Debtor to help fund  
25 the purchase of the Plaza Apartments. Under the terms of the agreement between the holder of the  
26 Allowed Class 10 Claim and the Debtor, the Debtor is required to make monthly installment  
27 payments of principal and interest in the amount of \$2,283.63, commencing on October 5, 2001,  
28

1 with the last payment coming due on September 5, 2016. The allowed Class 10 Claim shall  
2 continue to be paid in accordance with its original loan agreement.

3  
4 **11. Class 11 Interests**

5 (1) Impairment and Voting.

6 Class 11 Interests are unimpaired under the Plan. Class 11 Interests retain their interest in  
7 the Reorganized Debtor.

8  
9  
10 **VIII.**

11 **MEANS FOR IMPLEMENTATION AND**

12 **EXECUTION OF THE PLAN**

13 The Debtor and Guarantors anticipate that the Plan will be funded principally by a future  
14 net cash flow from the future operations of the Debtor, and in large part by either a sale or  
15 refinance of the Medical Building pursuant to the terms of the Plan. The Debtor anticipates that  
16 Effective Date payments required under the plan will in fact be funded by Cash available at the  
17 time of Confirmation. Debtors additionally believe that cash flow from the operation of its  
18 business and a sale of the Medical Building after the Debtors has had an opportunity to increase the  
19 cash flow from the Medical Building will be sufficient to fund the Plan's post-Effective Date  
20 financial obligations.

21 A key element of the Plan is to improve the overall occupancy rate of the Medical Building.  
22 The current usage of the Medical Building is at approximately 80%, and there remains  
23 approximately 6,600 square feet of space that remains available in the Medical Building. The  
24 Debtor's opinion is that it will be able to fully lease the remaining space of the Medical Building  
25 by the middle of 2015, and the utilization of that additional space should be able to generate  
26 approximately an additional \$10,000.00 per month in gross rental income during the term of the  
27 Plan.

1 The Debtor intends to request that the Court authorize the use of approximately  
2 \$124,000.00 which is currently held by US Bank as cash collateral to fund necessary tenant  
3 improvements in connection with the leasing of the remaining space in the Medical Building. In  
4 the event the Court does not authorize the use of US Bank's cash collateral, the Debtor believes  
5 that, through cash flow generated by its other operations, and contributions from the Guarantors, it  
6 would be able separately fund the expected tenant improvements.

7 The Debtor projects that the future rents generated by 142 N. 9<sup>th</sup> Street and the  
8 Sierra Manor property will be more than sufficient to continue to service the loans of the holders of  
9 the Allowed Class 3 and Class 5 Claims.

10 The Plaza Apartments are currently projected to operate at a small annual cash flow  
11 deficiency of between \$2,000 to \$4,000.00 per year, in part because of its debt service of a loan  
12 from Marcus Haney. The Marcus Haney loan will be fully paid in September of 2016, and  
13 thereafter Debtor that the Place Apartments will also operate on a positive cash flow basis.

14 The Debtors will fund the distributions to the Allowed Class 6 Claim through a  
15 combination of the continued operation of the Medical Building, and a subsequent sale or refinance  
16 of the Building on or before the maturity date of the obligations as provided for under the Plan.  
17 The Plan proposed initial monthly payments of either \$39,000.00 per month to the holder Allowed  
18 Class 6 Claim during 2015, and increasing to \$41,000.00 per month for 2016, 2017, and 2018, with  
19 those payments being applied to both principal and interest as described in the treatment of the  
20 Class 6 Claim above. As evidenced by the 5 year cash flow projections based upon the existing  
21 and historical gross monthly rental income, operations of the Medical Building alone are sufficient  
22 to service the \$39,000.00 monthly payment. The Plan contemplates that the Debtor will fully lease  
23 the remaining space in the Medical Building during the first twelve months after Confirmation, and  
24 thereby be able to increase the monthly debt service to \$41,000.00.

25 Finally, on or before the maturity date of December 31, 2018, for the Allowed Class  
26 6 Claim under the terms of the Plan, the Debtor shall sell or refinance the Medical Building for an  
27 amount that will, at a minimum, be sufficient to pay the balloon owed on the Class 6 Claim.

1 Without any tenant improvements to increase revenues, the Medical Building  
2 projected annual average net revenue would be \$473,273.20. Assuming a 10% cap rate, Debtor  
3 anticipates being able to sell the Medical Building for at least \$4.7 million. With tenant  
4 improvement to increase the cash flow, Debtor projects an average annual net revenue of  
5 \$531,832.00, and again assuming a 10% cap rate, would project to a reasonable sale price of \$5.3  
6 million for the Medical Building which Debtor believes would be sufficient to retire the balloon  
7 owed to the Allowed Class 6 Claim without the need to liquidate additional collateral.

8 Additionally, as evidenced by the Budget Projections attached as Exhibit "4", the  
9 Debtor expects its continued operations will allow it to operate from a positive cash position. To  
10 the extent there is Available Cash during the administration of the Case, the Debtor may use such  
11 Available Cash to make additional principal payments to the Class 6 Claim, or to make additional  
12 payments to the Allowed Class 8 Claims. Except as provided for the Class 10 Claim and the  
13 compensation to be paid to Roger Haney, no Available Cash shall be used to make any distribution  
14 to insiders, affiliates, or shareholders.

15 **A. Projections of Future Cash Flow.**

16 Attached hereto as Exhibit "4" are the Projections prepared by the Debtor, which set forth  
17 the Debtor's estimate of its anticipated cash flow for the term of the Plan. Projections of  
18 anticipated cash flow are based primarily upon the historical earnings of the Debtor and the  
19 Debtor's historical expenses. The Projections have not been subject to review and a certification by  
20 any independent accountants. Although the Debtor has devoted considerable time to the  
21 development of the Projections and believes that the Projections represent fairly the projected  
22 future cash flow of the business, care should be taken in analyzing the Projections as no guarantee  
23 exists that the Projections can be met by the Debtor.

24 THE PROJECTIONS SET FORTH IN THIS DISCLOSURE STATEMENT REPRESENT  
25 A PREDICTION OF FUTURE EVENTS BASED UPON CERTAIN ASSUMPTIONS SET  
26 FORTH WITH SUCH PROJECTIONS. THESE FUTURE EVENTS MAY OR MAY NOT  
27 OCCUR, AND THE PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTEE OR  
28

1 OTHER ASSURANCE OF THE ACTUAL RESULTS WHICH WILL OCCUR. BECAUSE OF  
2 THE UNCERTAINTIES INHERENT IN PREDICTIONS OF FUTURE EVENTS, THE  
3 DEBTOR'S ACTUAL CASH FLOW MAY WELL BE DIFFERENT FROM THAT  
4 PREDICTED, AND SUCH DIFFERENCE MAY BE MATERIAL AND ADVERSE TO THE  
5 INTERESTS OF THE CREDITORS.

6 The Projections are intended to assess the future cash flow available to the Debtor for  
7 making the distributions required by the Plan. Significant assumptions underlying the financial  
8 projections include the following:

9 **1. Effective Date of the Plan.**

10 For the purpose of the Projections, the Debtor estimates that the Confirmation Date will  
11 occur on or about December 18, 2014 and, hence, that the Effective Date will occur on or before  
12 February 18, 2015.

13 **2. Earnings Generated by the Business.**

14 The Debtor's projection of the future earnings which will be generated by the business is  
15 derived from the pattern exhibited by the Debtor's business operations during the administration of  
16 the Case, the Debtors revenues based on the historical operation of the Medical Building prior to  
17 the appointment of the Receiver, and by the Debtor's estimate of the revenue which the Debtor's  
18 business operations will generate after the Confirmation Date. Revenues in the projections assume  
19 that the Debtor will be able to fully lease the remaining space in the Medical Building by June of  
20 2015.

21 **B. Funding of Distributions Required on Effective Date.**

22 In order to emerge from Chapter 11, the Debtor must have Cash sufficient to fund the  
23 payment of all of the Allowed Administrative Claims and the Allowed Priority Claims, as well as  
24 being able to make the initial distributions proposed to the Allowed Class 3, 4, 5, 6, 7 and 8 Claims

25 The Debtor estimates that, on or by the Effective Date, it will have to pay no more  
26 than the following approximate amounts:

27  
28 United States Trustee \$4,875.00

Administrative Claims	\$25,000.00
Unclassified Tax Claims	\$0.00
Class 1	\$0.00
Class 2 (Priority Claims other than taxes	\$0.00
Class 3 (Key Bank)	\$12,986.00
Class 4 (Chase – Plaza)	\$15,000.00
Class 5 (Chase – Sierra Manor)	\$20,000.00
Class 6 (US Bank)	\$39,000.00
Class 7 (Alpine)	\$0.00
Class 8 (Huff/Grover)	\$0.00
Class 9 (Marcus Haney)	\$2,300.00
Class 10 (Alpine)	\$0.00
Class 11 (Shareholders)	\$0.00
<b>TOTAL</b>	<b>\$99,161.00</b>

The Debtor and The Debtor intend to utilize a funds from operations of its business to make the foregoing payments. As evidenced by the projection in Exhibit “4”, payments of the Administrative Claims have been budget for, and the Projections also provide that payments to Classes 3, 4, 5, 6, and 9 will be made out of cash flow from operations.

**C. Funding of Ongoing Distributions Required by the Plan.**

As set forth in sections A and C above, the Debtors intend to utilize a combination of revenues and proceeds from the sale of assets generated to fund the ongoing distributions required by the Plan.

**IX.**

**LIQUIDATION ALTERNATIVE TO THE PLAN**

The Code requires that, for a Chapter 11 plan to be confirmed, a debtor must demonstrate that a plan will afford the holders of allowed claims in an impaired class as much as they would receive or retain if the debtor's assets were liquidated under Chapter 7 of the Code. The liquidation analysis is based upon the most current financial information available to the Debtor as of the date of the preparation of the liquidation analysis, September 23, 2014.

Under the Plan, Unsecured Claims which are included in Classes 8 are being paid their Allowed Claims in full. The holders of the Allowed Class 9 and 10 unsecured claims will also be



1 paid their allowed claim in full. Accordingly, all Unsecured Creditors provided for under the Plan  
2 will be paid 100% of their Allowed Claims, unless they have otherwise consented to a less  
3 favorable treatment which would allow for the separate classification of those Claims being paid  
4 less than 100% of their Allowed Claims.

5 The Debtor believes that if it were liquidated in a Chapter 7, while a trustee would likely  
6 continue to operate each of the individual properties, the Debtor does not believe that a trustee  
7 would liquidate the Debtors entire operation as a going concern.

8 Additionally, all unsecured claims would be lumped together, so that any deficiency claim  
9 on account of US Bank's claim in the Case would be treated the same along with the Claims of  
10 Huff, Grover, and the Allowed deficiency Claim of Alpine. Accordingly, the pool of unsecured  
11 claims in a Chapter 7 would be expected to be:

Creditor	Amount
US Bank	\$1,171,358.80
Huff	\$643,584.11
Grover	\$140,000.00
Alpine	\$2,303,638.61 <sup>9</sup>
Marcus Haney	\$47,573.85
Total	\$4,306,155.37

19  
20 As evidenced by Exhibit "5", in the event of a Chapter 7, based upon 1) updated valuations  
21 based upon the Debtors opinion as to the current value of the Debtors real properties other than the  
22 Medical Building; 2) secured debt outstanding as of August 31, 204, and 3) assuming a 9.0% cost  
23 of sale and a Chapter 7 trustee fee, the Debtor's properties may be able to generate a total of  
24 \$459,885.43 for payment of unsecured claims in a Chapter 7.

25 In terms of personal property, a copy of the Debtor's excerpted balance as of August 31,

26  
27 <sup>9</sup> As the lien granted to Alpine occurred within twelve months prior to the filing of the case, a Chapter 7 trustee would  
28 be able to avoid the lien as preferential.

2014 is attached hereto as part of Exhibit "5". The balance sheet disclosed total cash of \$201,385.01, of approximately \$142,060.15 would be US Bank's cash collateral, leaving a balance of \$59,324.86, which is cash collateral for Chase and Berkadia. Assuming a liquidation of Chase and Berkadia's collateral generates sufficient funds to pay those claim, the \$59,324.86 could also potentially be made available to general unsecured claims, less an additional Ch. 7 trustee fee of \$2,966.24.

The Debtor also has \$1,437,443.57 in pre-petition notes payables scheduled as current assets, of which approximately 1.3 million are notes receivables from the Equity Holders of the Debtor. The Debtor believes that these note receivables would not be collectible in full.

However, assuming even assuming that they could be collected in full, again after the minimal Chapter 7 trustee fee of \$51,512.34<sup>10</sup> the total net proceeds in a Chapter 7 would be notes along with generate, with the Parking Lot proceeds would generate a total of approximately \$1.5 million. Based on total projected unsecured claims in a Chapter 7, Unsecured Claims of the Debtor would appear likely to receive not more than approximately 42 cents on the dollar.

Since the Plan provides that All Allowed Unsecured Claims will 100% of their claims, the Plan satisfies the best interests of creditor test.

#### **X.**

#### **ANTICIPATED FUTURE FOR THE REORGANIZED DEBTOR**

The Reorganized Debtor intends to continue to operate its business in accordance with the terms of the plan.

#### **XI.**

#### **MANAGEMENT AND COMPENSATION**

Upon confirmation, the Reorganized Debtor will continue to employ Management to perform the day to day management of the Debtor's business. The Debtor will continue to pay Roger Haney a monthly salary of \$3,000.00 per month.

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<sup>10</sup> The trustee would be entitled to 5.0% on \$430,246.89 of the notes collected and 3.0% on the next 1.0 million for a additional fee of \$51,512.34

1 Byron Haney will continue to act on behalf of the Debtor as the leasing agent for the  
2 Medical Building. Dr. Haney will not be compensated for his services in this capacity.

3  
4 **XII.**

5 **EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

6 To the extent that there are any other pre-petition leases or executor contracts which have  
7 not been expressly assumed under the terms of this Plan, or otherwise assumed pursuant to Court  
8 order prior to the Effective Date, all such leases shall be assumed by the Debtor as of the Effective  
9 Date of the Plan.

10  
11 **XIII.**

12 **ALLOWANCE AND DISALLOWANCE OF CLAIMS**

13 **A. No Distribution Pending Allowance.**

14 Notwithstanding any other provision of this Plan, no distribution shall be made  
15 under this Plan on account of any Disputed Claim, unless and until such Claim becomes an  
16 Allowed Claim.

17 **B. Resolution Of Disputed Claims.**

18 Unless otherwise ordered by the Bankruptcy Court after notice and a hearing and  
19 except with respect to applications for allowances of compensation and reimbursement of expenses  
20 under sections 330 and 503 of the Bankruptcy Code, the Debtors and Reorganized Debtor shall  
21 have the right to make and file objections to Claims and shall serve a copy of each objection upon  
22 the holder of the Claim to which the objection is made, as soon as practicable, but in no event later  
23 than one hundred and twenty (120) days after the Confirmation Date. From and after the  
24 Confirmation Date, all objections shall be litigated to a Final Order except to the extent the Debtors  
25 elect to withdraw any such objection or the Debtors and the claimant elect to compromise, settle or  
26 otherwise resolve any such objection, in which event they may settle, compromise or otherwise  
27 resolve any Disputed Claim without further approval of the Bankruptcy Court  
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1 and Claims otherwise resolved under the Plan, be vested in the Reorganized Debtor.

2 **XVI.**

3 **INTENT TO UTILIZE CRAMDOWN**

4 In the event that the Debtor does not secure the acceptance of the Plan by each impaired  
5 Class of Claims or interests pursuant to Section 1129(a)(8) of the Code, the Debtor intends to seek  
6 confirmation of the Plan pursuant to Section 1129(b)(1) of the Code.

7  
8 **XVII.**

9 **RETENTION OF JURISDICTION BY THE BANKRUPTCY COURT**

10 The Bankruptcy Court, following confirmation of the Plan, shall retain jurisdiction over the  
11 Plan and over the Case and all other matters arising out of or relating to the Case or arising under  
12 the Bankruptcy Code to the full extent permitted by law and to the full extent necessary to carry out  
13 the purposes and intent of this Plan, including but not limited to the following:

14 A. The classification of any Claim, the re-examination of Claims that have been  
15 Allowed for purposes of voting, and the determination of any objections that may be filed to  
16 Claims, except as to those Claims which are deemed Allowed under the Plan. The failure of the  
17 Debtor to object to or re-examine any Claim for the purpose of voting shall not be deemed a waiver  
18 of the right of the Debtor to object to or re-examine all or part of any Claim.

19 B. The liquidation of any Claim.

20 C. The determination of all questions and disputes regarding title to assets at issue in the  
21 Case and the determination of all causes of action, controversies, disputes or conflicts arising in the  
22 Case or related to or arising under the Bankruptcy Code, whether or not subject to an action  
23 pending as of the Confirmation Date, including but not limited to any right of the Debtor to recover  
24 money or property pursuant to the provisions of the Bankruptcy Code or applicable nonbankruptcy  
25 law.

26 D. The correction of any defect, the curing of any omission or the reconciliation of any  
27 inconsistency in the Plan, Disclosure Statement or the Confirmation Order, as may be necessary to  
28

1 carry out the purposes and intent of the Plan.

2 E. Modification of the Plan after confirmation pursuant to the Plan, the Bankruptcy  
3 Code or the Bankruptcy Rules.

4 F. The enforcement, interpretation and implementation of the terms and conditions of  
5 the Plan and any instruments or documents created or issued under the Plan or evidencing the terms  
6 of the Plan.

7 G. Entry of any order, including an injunction necessary to enforce the right, title and  
8 interest of the Debtor to impose such limitations, restrictions, terms and conditions of such right,  
9 title and interest as the Bankruptcy Court may deem necessary.

10 H. The determination of any Claim for compensation and reimbursement of counsel for  
11 the Debtor or any other professional person entitled to priority under 11 U.S.C. § 507(a)(1).

12 I. Entry of any order, including an injunction necessary to enforce the right, title and  
13 interest of the Debtor and to impose such limitations, restrictions, terms and conditions of such  
14 right, title and interest as the Bankruptcy Court may deem necessary.

15 J. The determination of any Claim for compensation and reimbursement of counsel for  
16 the Debtor or any other professional person entitled to priority under 11 U.S.C. § 507(a)(1).

17 K. Entry of a final decree concluding and terminating the Case.

18  
19 **XVIII.**

20 **TAX CONSEQUENCES**

21 **A. Tax Information.**

22 ALL RECIPIENTS OF THIS DISCLOSURE STATEMENT MAY BE AFFECTED BY  
23 CERTAIN OF THE TAX RAMIFICATIONS AND THEREFORE ARE ENCOURAGED TO  
24 EACH OBTAIN ADVICE FROM THEIR OWN RESPECTIVE ATTORNEYS AND  
25 ACCOUNTANTS REGARDING THE PLAN. THE ATTORNEYS FOR THE DEBTOR HAVE  
26 NOT BEEN RETAINED TO PROVIDE AND ARE NOT PROVIDING ANY OPINION TO THE  
27 DEBTOR OR ANY OTHER PARTY AS TO THE TAX EFFECT OF THE PLAN. NEITHER  
28

1 THE DEBTOR NOR GENERAL PARTNER NOR INDIVIDUALS AFFILIATED WITH THE  
2 DEBTOR NOR THE ATTORNEYS FOR THE DEBTOR OR FOR ANY OTHER ENTITY  
3 HAVE RENDERED ANY INDEPENDENT ADVICE WITH RESPECT TO ANY  
4 PARTICULAR CREDITOR AND/OR PARTNER OF THE DEBTOR WITH RESPECT TO THE  
5 PLAN.

6 Creditors who receive amounts less than their respective Allowed Claim may realize a loss.  
7 This depends upon whether or not such creditors previously recognized their claim as income,  
8 which may depend on whether or not such creditors were accrual or cash basis taxpayers. Since  
9 the Plan provides for a payment which is less than payment in full of the Allowed Claims, creditors  
10 may have a taxable loss which would be computed by the difference between the creditors' basis,  
11 which may be anywhere from zero (in which case the creditor may have income to the extent of  
12 any payment received) to the full amount of the claim, and the amount realized pursuant to the Plan  
13 payments to such unsecured creditor.

14  
15 **XIX.**

16 **PENDING LITIGATION**

17 The initiation of the Debtors Chapter 11 proceedings gave rise to an automatic stay  
18 pursuant to Section 362 of the Bankruptcy Code, which effectively stayed any pending pre-petition  
19 litigation against the Debtor, and any litigation that could have been brought prior to the Petition  
20 Date. All Creditors and parties in interest holding pre-petition Claims against the Debtor were  
21 required to file those Claims by the Bar Date. To the extent that these Claims were not filed by the  
22 Bar Date, they are barred unless allowed by order of the Court, the terms of the Plan, or listed in  
23 the Debtor's schedules, unless listed as disputed, contingent or unliquidated.

24 During the pendency of their Chapter 11 proceedings, the Debtors have been reviewing and  
25 analyzing timely filed Claims to determine whether or not these Claims are valid, or whether they  
26 should be the subject of an objection. This analysis is ongoing, and the Debtors reserve the right to  
27 file objections to the Claims which have been filed in its proceeding on any appropriate grounds.  
28

1 Pursuant to the Debtor's Plan, the Debtors must file an objection to any disputed claim on or before  
2 the 120 days after the Confirmation Date. Any Claim as to which no objection has been filed as of  
3 said date, is deemed an Allowed Claim, unless the Debtor obtains an extension of the objection  
4 period.

5 **XX.**

6 **AMENDMENTS TO LEGAL DOCUMENTS**

7 As of the Effective Date of the Plan, all existing liens on property of the estate are  
8 modified, retained or extinguished as provided in the Plan..

9 **XXI.**

10 **EFFECT OF CONFIRMATION OF PLAN**

11 1. Discharge. The rights afforded in this Plan and the treatment of all Claims herein  
12 shall be in exchange for and in complete satisfaction, discharge, and release of all Claims of any  
13 nature whatsoever, including any interest accrued on such Claims from and after the Petition Date,  
14 against the Debtor and the Debtor-in-Possession, or any of their assets or properties. Except as  
15 otherwise provided in this Plan or the Confirmation Order: (i) on the Effective Date, the Debtor  
16 shall be deemed discharged and released to the fullest extent permitted by Section 1141 of the  
17 Bankruptcy Code from all Claims, including, but not limited to, demands, liabilities, and Claims  
18 that arose before the Confirmation Date and all debts of the kind specified in Sections 502(g),  
19 502(h) or 502(i) of the Bankruptcy Code, whether or not: (a) a proof of claim based on such debt  
20 is filed or deemed filed pursuant to section 501 of the Bankruptcy Code, (b) a Claim based on such  
21 debt is allowed pursuant to Section 502 of the Bankruptcy Code or (c) the holder of a Claim based  
22 on such debt has accepted the Plan; and (ii) all Persons shall be precluded from asserting against  
23 Reorganized Debtor, its successors, or their assets or properties any other or further Claims based  
24 upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to  
25 the Confirmation Date. Except as otherwise provided in the Plan or the Confirmation Order, the  
26 Confirmation Order shall act as a discharge of any and all Claims against and all debts and  
27 liabilities of the Debtor, as provided in Sections 524 and 1141 of the Bankruptcy Code, and such  
28



1 discharge shall void any judgment against the Debtor or Reorganized Debtor at any time obtained  
2 to the extent that it relates to a Claim discharged.

3 2. Injunction. Except as otherwise provided in this Plan or the Confirmation Order, on  
4 and after the Effective Date, all Persons who have held, currently hold or may hold a debt or Claim  
5 discharged pursuant to the terms of this Plan are permanently enjoined from taking any of the  
6 following actions on account of any such discharged debt or Claim: (1) commencing or continuing  
7 in any manner any action or other proceeding against any of the Debtor, Reorganized Debtor, their  
8 successors or their respective property; (2) enforcing, attaching, collecting or recovering in any  
9 manner any judgment, award, decree or order against any of the Debtor, Reorganized Debtor, their  
10 successors or their respective property; (3) creating, perfecting or enforcing any lien or  
11 encumbrance against any of the Debtor, Reorganized Debtor, their successors or their respective  
12 property; (4) asserting any setoff, right of subrogation or recoupment of any kind against any  
13 obligation due to any of the Debtor, Reorganized Debtor, their successors or their respective  
14 property; and (5) commencing or continuing any action, in any manner, in any place that does not  
15 comply with or is inconsistent with the provisions of this Plan or the Confirmation Order. Any  
16 Person injured by any willful violation of such injunction shall recover actual damages, including  
17 costs and attorneys' fees, and, in appropriate circumstances, may recover punitive damages, from  
18 the willful violator.

19 3. Pursuant to Section 1123(b)(3)(B) of the Code, the Reorganized Debtor shall be  
20 designated as the representative of the Estate beginning on the Confirmation Date.

21 4. The provisions of the Plan shall be binding upon and inure to the benefit of the  
22 Debtor and any creditor or any respective transferee, assignee or successor, whether or not the  
23 claim of a creditor is impaired under the Plan, whether or not a creditor has accepted the Plan, and  
24 whether or not the Debtor has or intends to take certain actions or inactions in connection with this  
25 Case, the Plan and the Confirmation Order.

26  
27 **XXII.**  
**MODIFICATION OF THE PLAN**

1 The Debtor reserves all rights set forth in Section 1127 of the Code with respect to the  
2 modification of this Plan.

3 **XXIII.**  
4 **REQUEST FOR FINDING OF FAIR AND**  
5 **EQUITABLE TREATMENT TO IMPAIRED CLASSES**

6 The Debtor hereby requests, pursuant to Section 1129 of the Code that this Court find that  
7 the provisions of the Plan provide for fair and equitable treatment to those claimants who are  
8 impaired under this Plan and who may elect not to accept this Plan, and that this Court confirm the  
9 Plan notwithstanding the requirements of Section 1129(a)(8) of the Code as to such claimants.

10 **XXIV.**  
11 **PROVISIONS FOR THE EXECUTION OF THE PLAN WHICH MAY AFFECT,**  
12 **ALTER OR MODIFY THE RIGHTS OF ALL CLASSES OR CLAIMANTS**

13 1. After the Effective Date of the Plan, the Reorganized Debtor shall continue its  
14 business and manage its affairs without the supervision of the Bankruptcy Court and may enter into  
15 such agreements and transfer, convey, encumber, use its assets as it deems appropriate under the  
16 circumstances and may enter into such agreements and transfer, convey, encumber, use, and lease  
17 property of the Estate as it deems appropriate under the circumstances, without seeking the  
18 approval from the Bankruptcy Court, but nothing in this provision shall impair the liens and  
19 encumbrances which a holder has retained pursuant to the express terms of the Plan.

20 2. Except as otherwise provided in the Plan, the distributions to holders of Claims  
21 described in this Plan are minimum distributions only, and the Reorganized Debtor, in its sole  
22 discretion, shall have the right, at all times, to make full or partial prepayments to any entity  
23 without penalty. Where the Plan calls for a number of equal payments, the amount of the payment  
24 shall be calculated assuming the payments are made on the first of the month when due and include  
25 interest amortized at the applicable rate. Prepayments of payments may, therefore, reduce the final  
26 amount or reduce the number of payments otherwise due under the Plan, and late payments may  
27 increase the number of payments otherwise required by the Plan.

28 3. Upon the Confirmation Date, any legal actions which are pending in regard to the  
foreclosure of any lien or encumbrances against any property of the Estate or of the Debtor shall be

1 permanently enjoined.

2 4. Upon payment of sums to which a creditor is entitled under the Plan, all claims of  
3 any creditor, or of claims against the Debtor, arising prior to the confirmation of the Plan against  
4 the Debtor, shall be wholly released and discharged, and any actions or proceedings against any  
5 employees, agents, servants, guarantors, or partners of the Debtor, including any judgments and  
6 judgment liens, shall be terminated, relinquished, and released.

7 5. Debtor's obligation to make any payment for any administrative obligation of the  
8 estate or any payment under this Plan may be discharged to the extent that such payment is made  
9 by any entity or from any property. If the entity makes a payment from a source other than  
10 property of the Estate or proceeds of property of the Estate, the Reorganized Debtor, may, but shall  
11 not be required to, reimburse the entity and whether or not such reimbursement is made, the  
12 payment shall be treated the same as a payment to that creditor for the purposes of the Plan.

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15 **XXV.**  
**MISCELLANEOUS PROVISIONS**

16 **A. Revocation of the Plan.**

17 The Debtor reserves the right to revoke or withdraw the Plan prior to the Confirmation  
18 Date. If the Debtor withdraws the Plan, then the Plan shall be null and void, and nothing contained  
19 in the Plan shall: (1) constitute a waiver or release of any Claims by or against, or any Interests in,  
20 the Debtor; or (2) prejudice in any manner the rights of the Debtor in any further proceedings  
21 involving the Debtor.

22 **B. Successors and Assigns.**

23 The rights, benefits and obligations of any entity named or referred to in the Plan shall be  
24 binding on, and shall inure to the benefit of, any heir, executory, administrator, successor or assign  
25 of such entity.

26 **C. Saturday, Sunday or Legal Holiday.**

27 If any payment or act under the Plan is required to be made or performed on a date that is  
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not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

**D. Post-Effective Date Effect of Evidence of Claims.**

Notes and other evidences of Claims against the Debtor shall, effective upon the Effective Date, represent only the right to participate in the distributions contemplated by the Plan.

**E. Headings.**

The headings used in the Plan are inserted for convenience only and neither constitutes a portion of the Plan nor in any manner affects the provisions of the Plan.

**F. Governing Law.**

Unless a rule of law or procedure is supplied by (i) federal law (including the Bankruptcy Code and Bankruptcy Rules) or (ii) an express choice of law provision in any agreement, contract, instrument, or document provided for, or executed in connection with, the Plan, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Washington without giving effect to the principles of conflict of laws thereof.

**G. No Admissions.**

Notwithstanding anything herein to the contrary, nothing contained in the Plan shall be deemed as an admission by the Debtor with respect to any manner set forth herein including, without limitation, liability on any Claim or the propriety of any Claims classification.

**XXVI.  
REQUEST FOR CONFIRMATION**

The materials provided in this Disclosure Statement are intended to assist you in voting on the Plan in an informed fashion. If the Plan is confirmed, you will be bound by its terms.

Debtor hereby requests entry of an order confirming the Plan as having satisfied the requirements of 11 U.S.C. § 1129. Debtor further requests that the Bankruptcy Court make such findings as may be necessary to implement the Plan.

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DATED at Modesto, California this \_\_ day of January 2015  
RIVER-BLUFF ENTERPRISES, INC.

\_\_\_\_\_  
By: Roger Haney, President

1 DATED at Modesto, California this 13 day of January 2015  
2 RIVER-BLUFF ENTERPRISES, INC.

3 Roger Haney, President  
4 By: Roger Haney, President  
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IN RE: RIVER BLUFF ENTERPRISES, INC.; CASE NO. 14-0048;  
DEBTOR'S SECOND AMENDED DISCLOSURE  
STATEMENT TO ACCOMPANY CHAPTER 11 PLAN OF

01/13/2015 8:52 PM